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Crack the Case

How to Conquer
Your Case Interviews

D a v i d O h r v a l l

*This book is dedicated to my dad,
who ignited my interest in business;
my mom, who taught me how to read
people and to trust my intuition;
and Shiloah, my beautiful wife who
with intelligence, wit, patience and
perseverance has made this book and
our business a successful reality.*

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2005 Edition

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Foreword

Dear Readers,

Welcome to the 2005 Edition of *Crack the Case: How to Conquer Your Case Interviews!* This volume updates the original *Crack the Case* guide published in September 2003.

I would like to thank my readers for their enthusiastic response to *Crack the Case*. The book was warmly welcomed by several leading business schools and I personally received a great number of positive testimonials, encouraging notes, and helpful feedback over the course of the last year. Much of this feedback has been incorporated into the 2005 Edition.

I am also grateful for my coaching clients, the very focused and talented individuals who met with me one-on-one to sharpen their case-solving skills. Working with over one hundred and fifty clients in the last twelve months has helped me to refine my methods and develop additional recommendations to optimize case interview performance.

My One Model / One Method approach remains the core of *Crack the Case*. The 2005 Edition contains the following changes to enhance your case interview preparation and make the concepts introduced in the book easier to practice and apply:

Reformatted Case Packs: *These tough cases have the same content as before but are even easier to use in your practice sessions. I have added an innovative Case at a Glance section and simplified notes for the interviewer.*

Interviewer/Candidate Evaluation Sheets: *I have also added two new assessment sheets for the "Interviewer" and "Candidate" to complete at the end of the case. These sheets ask you to rate the case performance on a scale of 1 to 6 in four critical areas: Planning & Logic, Communication & Composure, Analytics, and Recommendation.*

Expanded hypothesis explanation: *I have provided additional information on how you can use this mental "anchor" to help you focus your questions and solve your cases quickly and effectively.*

I hope this book is a useful stepping stone to the job of your dreams. I would love to hear any feedback you have on my materials. I can be reached through my website at david@consultingcase.com.

Best of luck with your case interviews!

David Ohrvall
September 2004

Introduction

Something's Broken

“Success is more a function of consistent common sense than it is of genius.”
- An Wang

I hung up the phone and ticked off the evening's final ding call. This last conversation had been rough. The candidate was one of twelve I had interviewed that day. On paper, he was an outstanding prospect: before entering the Wharton School, he had spent three years at an investment bank; he had a bachelor's degree in mathematics from Northwestern; and his GMAT score was 720. In person, he was even more impressive than his resume suggested. Thoroughly professional, very friendly, and obviously intelligent, he seemed the perfect consultant.

There was only one problem: he bombed my case. He couldn't frame a good approach to the case, which involved a large travel agency losing corporate clients. He tried to apply a well-known business framework, but it wasn't appropriate for a company in the service sector. The interview wasn't all bad—he shined on the quantitative aspects, speeding through the calculations and projections that had tripped up several other candidates that day. But when our time was up, he was nowhere near a solution, let alone recommendations for our “client.”

When he asked for feedback over the phone, I tried to be as specific as possible without further discouraging him. Most consulting firms had already interviewed on his campus. I knew his chances of getting an offer from one of the top firms were dwindling. What could I say that would help him improve for next time? Would there even be a next time?

I wondered why he had such trouble with my case. He had prepared for his interviews using the various case interview guides and practice cases on the market, and like most other students at top MBA programs, he was accustomed to working hard and achieving results. Why should preparing for a case interview be any different?

The answer: it's not. With the right tools and the right kind of practice, you can learn to solve the toughest business cases like a seasoned consultant.

Crack the Case is the result of my firsthand experience interviewing MBA and undergraduate candidates at the top business schools in the country. It is the result of nine years in consulting, serving thirty different companies across a dozen industries. And it's the result of solving complex business problems side by side with some of the brightest minds in management consulting.

My Philosophy

The focus of **Crack the Case** is the business case interview. Why? Because business cases now comprise the majority of case interviews given to MBA candidates. The top consulting firms are moving away from using brainteasers and simple market sizing questions for a variety of reasons:

- Brainteasers are less complicated than business cases and therefore don't sift out the star candidates as effectively as business cases do;
- Brainteasers do not showcase a candidate's general business knowledge; and
- Candidates are, across the board, improving their performance on brainteasers due to the existence of several good study guides on the topic.

The firms expect you to have an aptitude for crunching the numbers. But they want to see you do it in the context of a business problem.

A complex business case naturally includes a quantitative element. The firms expect you to have an aptitude for crunching the numbers. But they want to see you do it in the context of a business problem.

My Passion

Teaching is my passion. I love showing people new and better ways to do things; I get excited about making complicated concepts easy to understand. Training has been a common thread in my career, even predating my years in consulting. During college I moved to Japan for two years and supported myself by teaching English. At Arthur Andersen, I mentored and trained many new hires in a department that grew from five consultants to fifty during my time with the firm. At Bain & Company, I directed my office's training programs for new consultants, instructed new hires at global training sites, and held the role of Chicago Knowledge Officer.

Crack the Case reflects my passion for teaching. I developed the Maximum Value Model™ and the FRAME™ Method to equip you with the tools you need to succeed in your case interviews. My approach to solving business cases fills a critical gap in the resources available today. Other case guides say you should solve cases by applying well-known business frameworks—the exact opposite of what the top consulting firms are saying.

Crack the Case shows you how to solve your cases like a seasoned consultant. I have designed ten comprehensive practice cases tailor-made for mock interviewing. My common sense approach, One Model/One Method™, is easy to understand, easy to remember, and easy to apply under the pressure of an interview.

My Promise

Crack the Case reinvents case interview preparation. You will not find the tired old frameworks in this book. Nor will you find practice cases with “Hollywood scripts” for solutions. You will not find “short” lists of ninety-plus questions to memorize.

Instead, you will find:

- Mental roadmaps and a few key questions to help you drive through your cases with direction and confidence
- A structured approach that keeps you logical and focused on the data
- Ten tough practice cases coded by difficulty level
- A firsthand account of the interview and selection process
- Insights gleaned from interviewing scores of candidates

Are you ready to raise your game to the next level? Welcome to **Crack the Case**. I look forward to working with you.

David Ohrvall

Part 1

What Really Matters

Crack the Case:
How to Conquer Your Case Interviews



Chapter 1

A View from Behind the Interview Desk

“Did you crack the case?”

About five minutes had passed in my first interview with a Bain & Company partner. It was the first of two interviews I would have that morning—the “fit” interview, to be followed by a case interview. The partner’s job was easy. He would determine whether I suited the Bain culture and might make a good summer intern. I thought the interview was going very well. We had a nice exchange about the firm, why I was interested in management consulting and why he thought Bain was the best place to work. And then I felt things start to slip.

I couldn’t put my finger on it. Maybe it was intuition from several years of client meetings. Maybe it was a slight change in his body language. Whatever the source, I knew he was mentally tossing me in the “ding” bucket. And there was no way I would let that happen without a fight. My blood pressure rising by the second, I took a risk and asked him point blank, “What problem do you have with my working for Bain this summer?”

He blinked in surprise, then paused awkwardly. Finally, he spoke: “Well, let me see,” he said, pulling out my resume again. “To me you seem like the kind of person who would fit well at EDS [systems consulting] or Andersen [*Ouch! I had just come from there!*]. So my question to you is: *did you crack the case?*”

All I could do was smile and say, “We’ll find out soon. My next interview is the case.” We shook hands and I left. I cracked that first case. Within the next two days I went to the final round, cracked three more cases, and was offered the job.

My own entrance into management consulting is a lesson how quickly an interviewer can make decisions about a candidate. It is also a lesson how each candidate has the power to change the course of an interview. Like everyone else, I had prepared for my case interviews using whatever materials and mock interview partners I could find. But to be honest, I still felt unprepared and incredibly nervous.

“Did you crack the case?” This question sums up the purpose of the case interview. Cracking a case is not a matter of finding *the one* right answer. Nor is it a matter of simply saying all the expected things during the interview. To crack a case is to systematically solve a business problem using logic and data in an organized manner. It is one of the few objective criteria firms can use to evaluate and compare you to other candidates.

Some schools do not disclose MBA grades. Undergraduate performance is somewhat dated and is considered before interviews, not afterward. GMAT scores help, but almost all candidates are above the “high” threshold. Looks, personality and manners do play minor roles, as I’ll discuss later. But in the end, it always comes down to the case.

In the firms’ view,
your performance
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future success.

As I interviewed MBA’s and undergraduates and talked with other interviewers, I found the “crack the case” mentality to be a constant theme. Why? Because a case interview is a unique tool that allows the firms to “test drive” their candidates, to assess their mental horsepower, and to preview their ability to communicate with clients. In the firms’ view, your performance during the case interview is the best predictor of your future success.

In this chapter, I’d like to give you a glimpse into the mind of a typical interviewer talking with two different candidates. Both look great on paper, with comparable backgrounds and experience. They are from the same school and have similar GPA’s and GMAT scores. What will differentiate them as they try to solve this basic profitability case? Read on.

Meet Danny Ding

Minutes 0-2



Danny’s a nice guy. He steps forward quickly after I call his name in the waiting room where twenty-five candidates are sitting, making small talk with the greeters. Firm handshake. Good eye contact. Nice smile and a few pleasant comments about the weather. I like this guy; we’re off to a good start as we walk to the interview room. Today we’re in a fancy hotel suite, and I motion for him to take the seat across the desk from me.

Minutes 3-4




"Danny, as you know, we're here today to have you do a case. I'd like to take a brief minute to introduce myself and then we'll get started. After the case, we'll have some time to discuss any questions you have about the firm. Your next interview is with Amy; it will be a case as well."

After a brief review of my background, I begin. *"Today's case is about durable medical equipment distribution. My client is going through a number of changes, and I would like you to help with the situation. Here is a description of the problem. Let me know when you want to start."* I show him a slide (below) that contains a mix of bullets, some relevant and some meaningless. At the bottom of the slide is the bold-type question, "How can DuraMed Depot maximize profitability?"

DuraMed Depot

- DuraMed Depot is a durable medical equipment distributor
- Durable medical equipment includes walkers, beds and wheel chairs
- DMD's customers are mainly hospitals, clinics, retirement homes and schools
- DMD has five different locations through the US, located mainly in large metropolitan areas
- DMD has been installing a new integrated information system and is considering expanding their truck line
- Several employees have discussed starting a union, but only in certain regions
- Recently DMD has seen profitability drop at several distribution sites



How can DuraMed Depot maximize profitability?

I'll be interested to see how many of the points he addresses in his analysis. Danny pulls the slide closer and says he'd like to take a minute to review the information. Then the red flags start flying.



The hunch position. The head drops, the shoulders round and the eyes dart across the page with an intensity that could bore holes into the paper. I don't want to be overly critical of his posture, but it's apparent that the slide is unnerving him a bit: "the hunch" is giving it away.



The erratic notes. While looking at the slide he scrambles for his note pad and nervously begins to jot down a few points. His chicken scratch is sloppy and erratic. I doubt the notes will help him later. I'm trying hard not to pre-judge, but I have seen this all many, many times before.



The tense expression. Danny is not enjoying himself much. His face is full of tension and he looks like he just saw a ghost. I'm sure he knows better than to get this worked up during an interview, but his anxiety is getting the better of him. He's basically a nervous wreck.

I try to help him out: *"All of the information I give you will always be available, so you don't need to copy down the bullets if you don't want to."* He mumbles a quick thanks and continues reading. After about two minutes (a little long, but acceptable), he lifts his head and begins to speak.

Minutes 5-6



"It seems that DuraMed Depot wants to maximize profit. And profit is revenues minus costs. Can you tell me a little more about how DuraMed makes money in this business?"

Danny seems to be reading formulas in his head as he's talking. I get the sense that he prepared for this interview, but the conversation doesn't feel natural. The friendliness and comfortable rapport that Danny established a few minutes ago has all but evaporated. I decide to give him a little push to find out what's going on in his head.

"Danny, how do you think an equipment distributor makes money?" I ask. With that question, he's back in the game.

"Well, they probably have special relationships with a variety of manufacturers to get medical equipment at low cost. Then they sell them to retailers for a mark-up, making money on the service they provide, distribution and storage."

Finally! I feel like I'm seeing the real Danny. *"Can you give me some reasons why a distributor might have problems being profitable?"* I ask.

"Uh, I suppose their cost structure might be too high. Or their revenues have decreased due to an industry-wide drop in demand for medical equipment. You know, like if a new wheel chair or type of bed made previous models obsolete. Do you have any more information about their revenues?" he asks.

Danny seems to be reading formulas in his head as he's talking.

Revenue is a good place to start with profitability cases but I want him to stick to costs.

"You can assume revenues have stayed constant over the past five years," I say.

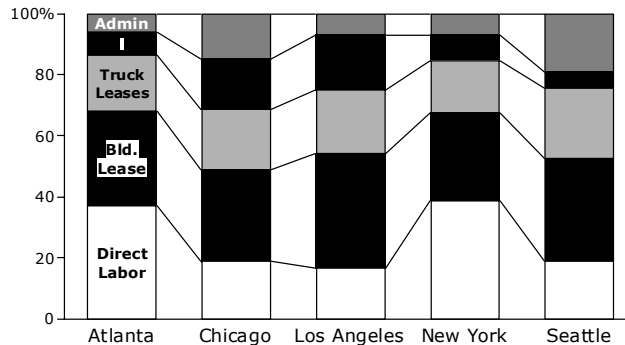
Danny switches gears immediately, trying to find the right path. *"Okay. Do you have any information about costs?"*

Minutes 7-12



I give Danny one more slide illustrating costs by distribution centers (see below). The variability in costs by distribution site practically jumps off the page; I'm hoping Danny will identify those differences and then drill down into the causes.

Total Monthly Expenses by Site



"It seems like costs vary a lot by service center."

Good, Danny is still alive and kicking. He got the insight.

"What do you think is causing such disparities?" I ask.

Now that we're at the heart of the case, I'm eager to hear how Danny interprets the data.

"Well, some of the service centers might be in more expensive areas, where the leasing costs are higher. Or they might need to pay their employees more because it's harder to find good people."

These are decent speculations, but Danny needs to focus on the three areas with the most variability: direct labor, administration, and truck maintenance. Instead of driving the interview forward by analyzing the data, he is taking shots in the dark and hoping he'll hit the target.

What proceeds from here are occasional glimpses of clarity scattered throughout a morass of mediocrity. He is trying hard, and I would like to see him succeed—but by minute ten I know he is a ding. He's obviously an intelligent person, but he just doesn't know how to drive his way through a case.

Instead of driving the interview forward by analyzing the data, he is taking shots in the dark and hoping he'll hit the target.

My job from that point forward is simply to make the process comfortable for Danny. I want to give him a favorable impression of my firm. After all, he's getting his MBA from one of the top programs, and in the future he may be a buyer of our services.

Since we can pass only two of our fourteen candidates to the final round, I'm confident in my decision to ding Danny. I'll compare notes with my interview partner at the end of the day to find out how Danny fared on his second case. Judging by his performance in my interview, it is unlikely that he has crushed his other case. However, no matter how he did on his other case, I'm not going to let him pass on to the next round. The bar is set high, and he's just not going to make it. He needed to crack both cases.

Meet Brenda Bright

Minutes 0-2



My initial encounter with Brenda is similar to that with Danny. So far, they are on equal footing. Like Danny, Brenda has a bright countenance and an engaging manner and makes good eye contact. Brenda takes her seat, and I begin the interview.

Minutes 3-4



It does not take Brenda long to distinguish herself from Danny. After glancing at the first slide, she asks, *"Will I be able to look at this information later in the interview?"* She is composed and thinking on her feet. She scans the data and starts driving the discussion.

First, she pegs the case as a basic profit question:

"I'd like to understand more about DuraMed Depot's revenue and costs."

Then she establishes the discussion's direction:

"My hunch is that over time DuraMed Depot has lost control of their costs, since it would be a little unusual for revenue from hospitals and clinics to drop across the board. It will be interesting to see if my theory holds. If we have time I would also like to explore other opportunities that DuraMed Depot may have for increasing margins and entering new markets."

Wow! We're on our way. I'm impressed with her "clock speed," as she's processing information very quickly. She is both smart and relaxed. She put a stake in the ground and appears comfortable putting it to the test.

I'm not quite sure if I buy Brenda's "costs are out of control" theory, but her hypothesis provides a loose framework for discussing the problem. I'm eager for her to analyze the data. When she asks for more details, I give her the same slide I gave Danny.

Minutes 5-6



Brenda quickly identifies the key insight (high cost variability by location), and she hones in on the three areas that represent the highest variability. She asks about each one, systematically examining them in order to prove or disprove her original hypothesis.

She's logical and stays focused on the data, and she relies on her business sense where appropriate.

I am impressed. Brenda is truly bright, a quick thinker who is willing to challenge her own assumptions. When she recognizes a weak spot in her thinking, she points it out and makes adjustments. She's logical and stays focused on the data, and she relies on her business sense where appropriate. Also, it seems that she is enjoying the challenge of solving the problem. She'd be game to solve any case I could throw her way.

My interview partner ranks Brenda second out of fourteen candidates and I rank her first. We're close enough to agree that she is a final round candidate and pass her along. To get a full-time offer she'll need to exhibit brilliance at cracking cases three more times with partners from the firm.

Common Reasons for Being "Dinged"

This was a very simple case. But the mistakes Danny made are more common than you might imagine. So why do the Dannys of this world fall apart while the Brendas sail into the stratosphere? Setting aside true differences in raw intelligence, I believe there are six key reasons:

1. Not Driving the Interview

When you're solving a case, you're supposed to be in charge. You set the plan. You ask the questions. You make the assertions. You synthesize the conclusions. You end the case. Let's face it, it's all about you. But many of the candidates I have interviewed prefer to sit in the passenger seat. Instead of confidence I see timidity, fear and half-heartedness. Don't be afraid to drive.

2. Choosing a Limited Framework

Porter's Five Forces. The Four Ps. The Seven Ss. Supply Chain Analysis. You are probably very familiar with these and other business frameworks. They have stood the test of time as convenient tools for examining specific aspects of business. For example, the Four Ps (product, price, promotion and placement) primarily apply to marketing issues. Their narrow focus can make them unsuitable for use in a case interview, though; they may lead you to a dead-end too quickly.

Most case questions offer several "doors" to open. For example, a merger case might include a discussion of the industry, the economy, market sizing, organizational management and financing. A great candidate distinguishes himself from a mediocre candidate by opening all—not just one or two—of the case's doors. A canned framework may get you through Door 1 and Door 2, but you will probably miss Doors 3, 4 and 5.

While basic business models can be useful in structuring your thoughts, they may end up limiting you as the case progresses. Once you go down the path proscribed by your framework, it can be difficult to segue to a broader discussion.

A canned framework may get you through Door 1 and Door 2, but you will probably miss Doors 3, 4 and 5.

3. Listening and Presenting Poorly

Despite a selective screening process to ensure that only the best candidates actually sit for an interview, the communication skills of some candidates are sorely lacking. Typically, the bottom third of my interviewee list bombed the case *and* suffered a fatal flaw in their ability to listen or present. Their nerves overcame them and their communication skills unraveled. Why? They did not encounter enough tough mock interviewers while preparing for their case interviews, and as a result the real case's intensity was overwhelming.

Sweating, hunching, shaking, avoiding eye contact, stuttering and staring like a deer in headlights do not enhance your chances. The solution: Practice, practice, practice with a tough mock interviewer in the most realistic setting you can find.

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4. Showing Weak Logic

To crack a case, you must build a logical path for solving the problem and then support your thinking with the facts of the case. In Chapter 4 I will show you how to formulate a basic hypothesis tree to keep your logic on track during the case. While there isn't enough time to lay out a perfect logic tree with every case, you can and should prove a few basic assertions. Disorganized thinking and poorly supported logic will become apparent as the case progresses.

The best consultants do not let their experience overwhelm the facts.

6. Not Ending Well

Most candidates lose track of time. They naturally get sucked into the guts of the problem and forget the fact that they are 22 minutes into the interview and not even close to a conclusion. With practice, you can learn how to pace yourself to consistently end the case with a solid answer and still have five to ten minutes to spare. You do not want the interviewer to interrupt you with something like (my standard line): "Let's imagine that the CEO walked into the room right now. What answer would you give to this problem?"

5. Being "Data-Light"

Almost every firm makes the claim of being "data-driven." This basically means that their consultants tenaciously root out the facts and then let the facts determine the answers. If this seems obvious to you, consider that some consultants rely on an experience-based model. They work on similar business problems for various clients within the same industry and then transfer insights from one client to the next. Expert consulting is fine as long as it is backed up with data. The best consultants do not let their experience overwhelm the facts.

During case interviews, the opposite often happens. Candidates know a little bit about the industry, or the problem sounds familiar to one they've solved before, and as a result they shoot from the hip instead of analyzing the data of the case at hand. This is a disastrous approach to case interviews.

Get on the Right Track

With systematic practice using the tools in this book, you can overcome each of these obstacles and crack every one of your cases. In Chapters 3 & 4 I will outline the **One Model/One Method** approach that will show you how to:

- ◎ **Drive the interview** with confidence because you know where you want to go
- ◎ **Develop a plan** to guide you to the answer in a unique, common sense manner
- ◎ **Stay composed** by learning how to read your audience
- ◎ **Stick to the facts** by asking data-driven questions
- ◎ **Get to an answer quickly by** mining the most important facts
- ◎ **End the case well** with suggested wrap-up language for each type of case

In the next chapter, I will discuss various types of case questions and provide some insights into the questions you are most likely to encounter during your interviews.

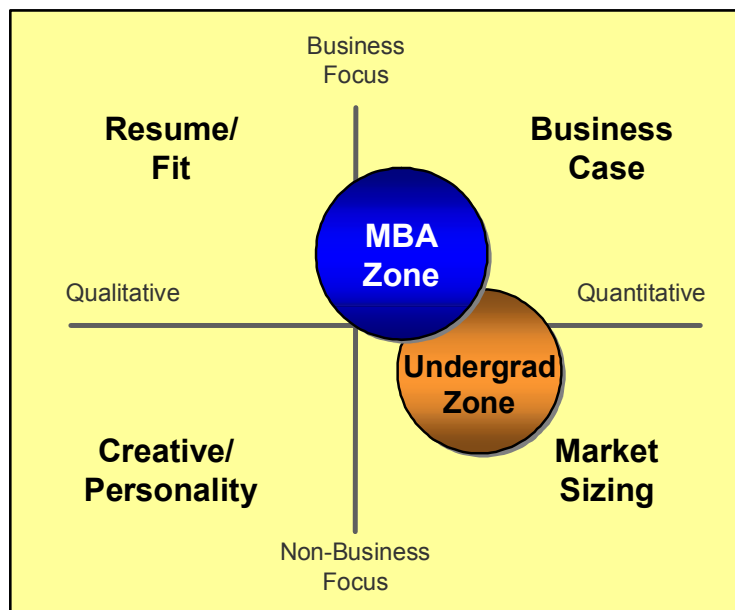
Chapter 2

Business Case Interviews The Main Thing

“A problem is something you have hopes of changing. Anything else is a fact of life.”
- C R Smith

Business Cases vs. Other Interview Types

When it comes to case interview preparation the expression “first things first” fits the bill perfectly. Your preparation time is limited, so you need to focus on the most important topic first. The simple 2 x 2 matrix below illustrates the various types of interviews you may encounter.



There are two metrics on this chart: business vs. non-business focus and qualitative vs. quantitative. I have mapped the interview types in this manner to give you an idea of the kind of questions you are most likely to see as an MBA or an undergraduate.

Without a doubt, the most critical interview type for MBAs is the business case. The business case interview is designed to test how you apply your quantitative skills within a business setting. Note that the better part of the “MBA Zone” circle sits in the upper right hand quadrant of the matrix. I would estimate that 70-80% of your consulting interviews will fall here. You are sure to encounter business cases for the simple reason that the consultants interviewing you have to solve them every day, and find it easy to create their case questions from their client experiences.

Brainteasers (e.g. how many golf balls can you fit into a blimp?) were once popular with consulting firms but are now rarely used to interview MBA candidates. Brainteasers and market sizing interviews are highly quantitative but require little business knowledge. Since undergraduate candidates are not expected to have as much familiarity with business concepts as are MBAs, many firms still use them for undergrad interviews.

The top consulting firms want to put your brainpower to the test. As a result, business case questions are becoming more complex and multi-layered. You should expect to be asked a question that involves an industry you may know nothing about (e.g. hedge funds) or one that you have never thought much about (e.g. fishing rods). You should also expect to have to cover several business concepts in one case. For instance, introducing a new product and discussing the supply chain changes necessary to support it.

The top consulting firms want to put your brainpower to the test. As a result, business case questions are becoming more complex and multi-layered.

If study time permits, you can pursue expertise at fitting ping-pong balls into football stadiums or counting the number of pigeons in NYC seven different ways, but be sure to fully prepare for the type of case you will most likely encounter during your interviews: the business case question.

Business Case Basics

What is it?

In a case interview you typically receive a business problem to solve. You are asked to work your way to a solution in about twenty minutes. Often, these cases are drawn from real-life problems that the interviewers have helped solve in the course of a client engagement.

Obviously, no one can expect you to solve in twenty minutes a problem that took a team of people four months to conquer. Because of this time constraint, the interviewer is often prepared to dole out data to assist you with your analysis. Sometimes this data is given verbally, and sometimes it takes the form of charts and graphs (called “slides” in the consulting biz). There’s one catch: You typically must figure out what kind of information you need and ask for it. The interviewer will not necessarily hand it over without you asking first.

When I was preparing for my case interviews, I often heard that there is “no wrong answer” to a case. This notion is completely false. Several right answers may exist, but—trust me—there are an infinite variety of wrong answers. While your approach to tackling the case and your agility with facts and figures can leave a great impression with the interviewer, you must arrive at a well-reasoned and supported answer to achieve success.

Several right answers
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answers.

Is it effective?

Firms see candidates who can consistently think on their feet, are logical in their problem solving approach and can handle unexpected curveballs with aplomb. A case question does a pretty good job of giving the interviewers a glimpse of how to rate on these skills. Most consulting firms offer positions only to those candidates who have cracked all of their cases (typically four or five); this practice assures the firms that they have found the best available candidates during a very short and intensive interview process.

Many firms expect their interviewers to have cases prepared in advance and pre-tested by other consultants within the firm. This method ensures that the cases are neither too long nor too simple. Nevertheless, it’s not uncommon for a partner to show up unprepared and invent a case on the fly. These “spontaneous” cases can result in very easy or very difficult interviews.

For those organizations that use cases inconsistently without methodically comparing candidate performance, case interviews may not necessarily result in offers for the best candidates.

Types of cases

Despite the hundreds of case variations, they tend to fall into a few broad categories. To keep all the case types straight, I will use the following five categories or “zones;” most of your interview cases will fall into the first two zones. We’ll discuss these groupings in greater detail later in the book. In the meantime, remember that your ultimate goal is to maximize the value of the company being discussed in your case question. Keeping this goal in mind will broaden your perspective on your cases and help you think more like a business advisor. Rather than get caught up in the details of only one aspect of the business, you must take on the perspective of the CEO.

Zone 1 – Strategic Cases

The business world maintains very little agreement on the true definition of strategy. As you prepare for your cases you will find the word “strategy” slapped on the back of almost any case title (e.g., pricing strategy, systems strategy and operational strategy). A good working definition of strategy is “maximizing value with a limited set of resources.” With strategic cases, you are making a change that will have a large impact on the business as a whole, not a small adjustment like changing a product’s price or a launching a new advertising campaign.

Zone 1 – Strategic Cases	
Expand Scope <ul style="list-style-type: none">• Merge• Acquire• Form a joint venture	Reduce Scope Divest of a business or division
Change Direction <ul style="list-style-type: none">• Enter/Exit a market (add/eliminate a product line)• Develop and sell new products/services• Reposition the company (brand/image)	Maintain Status Quo Keep the business the same

Zone 2 – Operations Cases

Operations cases focus on the internal operations of the company. Since we want to maximize the value of the company at all times, operations cases have two major drivers, revenue and cost. What falls out are various ways to impact those drivers. It would be easy to call any of these cases a “strategy” case (e.g., “pricing strategy”), but I find that naming them as such prevents you from focusing on the key value levers themselves. Revenue and cost are the most basic levers in business, so you should expect to see a lot of cases touch on them.

Zone 2 – Operations Cases	
Increase Revenue (Price x Volume)	Reduce Costs
Increase pricing	• Assess fixed vs. variable
• Change pricing by segment	• Assess internal vs. external costs
• Increase volume	• Benchmark costs to other companies
– Keep present customers (loyalty)	• Assess operational minimum costs
– Acquire new customers	
– Increase share of wallet with present customers	
– Sell more in new places and ways	

Zone 3 – Organization, Systems and Process Cases

We are now entering the “fuzzy” zone. The categories below represent real potential business issues, but they don’t necessarily offer clear-cut ways to increase overall company value. For instance, a new computer system may provide more insight into how the business is performing, but unless it eventually results in more revenue or fewer costs, it does not maximize company value. Solving these cases involves donning your CEO hat. Make sure that you do not get stuck in the minutiae and forget about the larger goal of making money (so the company can pay its consulting fees!).

Zone 3 – Organization, Systems and Process Cases	
Impact the People	Change the Process/Systems
<ul style="list-style-type: none">• Change the organizational structure• Change people’s roles• Change people’s incentives• Change the management team (or Board of Directors)	<ul style="list-style-type: none">• Change information technology (broad or narrow)• Change procurement• Change sales• Change inventory• Change distribution (including Internet)
Measure the Organization’s Capabilities	
<ul style="list-style-type: none">• Assess skill sets• Assess and streamline processes• Centralize or decentralize• Assess production capacities	

Zone 4 – Finance Cases

Cases in the finance zone cover a company's financing and balance sheet items. You are unlikely to be given a case centered on one of these topics; however, strategy cases often touch on this area, so you should be prepared to incorporate some basic finance principles into your analysis. After all, as a newly minted MBA you should be able to talk intelligently about these topics.

Zone 4 – Finance Cases
<p>Impact the Balance Sheet</p> <ul style="list-style-type: none">• Assess inventory/receivables• Assess debt/equity mix of the company• Assess cash management• Buy back shares of the company• Execute off-balance sheet financing <p>Increase Equity Returns</p> <ul style="list-style-type: none">• Improve capital efficiency• Increase shareholder value

Zone 5 – External Forces

Another term for this zone might be the Reaction Zone, as the issues below demand that the company react in some manner. For example, a competitive threat case can result in an acquisition strategy, a pricing reduction or an exit from the industry. Zone 5 cases always result in the company taking some type of action.

Zone 5 – External Forces
<ul style="list-style-type: none">• Respond to Supplier Issues• Respond to Public Attitude/Perception Changes• Respond to Economic Changes• Respond to a Competitive Threat• Respond to an Industry Shift• Respond to Auditor Issues & Concerns• Address Legislative and Regulatory Changes• Respond to Technological Changes

The Most Likely Scenario

Now that you're panicking over the laundry list of case types listed on the previous pages, let's apply a little 80/20 logic to focus your efforts. Later in the book you will see how the One Model/One Method™ approach pulls these zones together in a way that is easy to remember and apply in your interviews.

Within the business case question category lie a variety of potential case questions. Keep in mind that the purpose of the interview is to ascertain whether you can think like a business advisor. In order to measure your skills and to make sure they offer a case that most people can solve in a reasonable timeframe, most interviewers will stick to **Strategy Cases (Zone 1) and Operations Cases (Zone 2)**. These areas provide a rich set of issues that will put your abilities to the test. The beauty of being familiar with the other zones is that if the interview jumps into those other areas, you won't get lost.

Keep in mind that each case a firm gives you provides a glimpse into the type of work they do. No firm wants to be seen as non-strategic or focused on mere support issues. Therefore, most of the questions you receive will be deemed "strategic," even if they more properly fall into one of the other zones.

Zone 1 and Zone 2 Favorites

Within the strategy and operations zones, a few issues appear frequently. They are, no particular order, the following:

- Maximize profit (*"Help! My company is losing money."*)
- Enter a new market
- Develop / Launch a new product
- Sell more of the same stuff to more people (products or services)
- Reduce costs
- Respond to competitors
- Merge two companies

All of these cases work well in a case interview format because their problems are clear and their answers center on core business concepts. These cases are effective in revealing which candidates can frame a solution and which can't. Also, many of the firms' actual client problems (the source for most case interview questions) relate to these issues. In Chapter 6, I will show you how to use the One Model/One Method™ approach to solve each of these case types.

Cases: Coming to an Interview Near You

Case interviews are becoming more and more commonplace in industries outside of management consulting. Why? For good or ill, the business world is full of ex-consultants. Many like to evaluate candidates using business cases because it offers a better picture of candidates' mental agility than does a standard resume (fit) interview. Case interviews also allow interviewers to have a conversation that may include a little debate, some disagreement and some brainstorming. Colleagues engage in these discussions together every day; a case gives the interviewer a flavor of what it would be like to work with you.

Even if you somehow avoid cases during your interview process, they are likely to reappear at some point during a future career change. The ability to tear apart business problems quickly and systematically is an indispensable skill. If you spend time using the practice cases in this book, solving tough business problems will become like second nature.

Part 2

One Model / One Method

Crack the Case:
How to Conquer Your Case Interviews



Chapter 3

The Maximum Value Model

“Everything should be made as simple as possible, but not one bit simpler.”

- Albert Einstein

The Maximum Value Model, or MVM™ is the heart of *Crack the Case*'s approach to solving business cases. This model captures the basic elements, or “zones” of a business, and presents them in a graphic format that is easy to understand and remember. I designed this model to address head-on three pervasive problems I witnessed in the candidates I interviewed:

- Heavy reliance on well-known business frameworks
- The inability to stay calm under pressure
- The lack of an integrated, holistic view of how businesses work

Before I introduce you to the Maximum Value Model™, I want to share some thoughts on these issues.

The Case Against Frameworks

Instead of helping you land your dream job, using a well-known business framework can actually hurt your chances of succeeding on your case interviews. There are three major reasons to avoid them.

Everyone knows them

Do you think your interviewers are familiar with Porter's 5 forces, the Seven S's and the 4 P's? Of course they are. They are also familiar with Relative Market Share analysis, Experience Curves, High Road/Low Road analysis, and several other concepts that you may have learned in B-school. These frameworks are like a consultant's hammer and saw: familiar tools used on a daily basis. Don't expect to dazzle an interviewer with a recitation of a basic framework. He has heard it all before.

Don't expect to dazzle an interviewer with a recitation of a basic framework. He has heard it all before.

I often interviewed candidates who didn't know how to get started. After hearing my case question, they panicked and slapped a formulaic framework onto the case. (I call this the "throw it out there and see if it sticks" approach.) This random selection didn't produce much confidence in them or in me. I immediately questioned their logic, depth of thought, and creativity. I am not alone in my view. Consider what a few of the top firms have to say:

"A good case interview should be an enjoyable and thoughtful discussion of business issues and problem-solving techniques.

We are not looking for a "right answer" or asking you to spit back memorized business terms, current events or **well-known frameworks**. Rather, we hope to see a good dose of problem-solving skills, creativity and common sense."

- Bain & Company website (September 2003)

"Some Common Mistakes: ...**Force-fitting familiar business frameworks** to every case question, whether they are relevant or not, or misapplying a relevant business framework that you do not really understand, rather than simply using common sense."

-McKinsey & Co website (September 2003)

They are too narrow

One framework never quite does the job of hitting all the relevant issues of the case. Like most real business problems, cases are complicated. It is difficult to pick a framework that will exhaust all of the avenues of a case question. Interviewers expect you to handle the twists and turns of the case without getting lost. One basic framework will not help you change gears when the case changes direction.

You need a holistic framework that gives you flexibility as the case proceeds. For example, if you select the 4 P's (price, product, position and promotion) for a new product launch case, you might not remember to consider issues around the organization's internal capabilities or launch financing. Before long, most interviewers will move you off the framework and into areas where you no longer have a roadmap. Bored interviewers especially love to shake you up.

They make you sound robotic

As an interviewer, one of my favorite cases was the operational question, "How can my client improve its profit?" Along with this question, I gave the candidate a slide with several bullets on industry conditions and some specifics about the company (similar to the Duramed slide from Chapter 1). I expected successful candidates to lay out an approach for evaluating revenue and cost, the two major levers of profitability. I wanted them to give me a roadmap of where they were taking the discussion. Whether it was nerves, the information on the slide, or just my foreboding presence, I'd say that about 20% of the candidates could not formulate this basic framework. These were students from the MBA and undergraduate programs of Wharton, Harvard, Northwestern, Michigan and the University of Chicago.

Interviewers expect you to handle the twists and turns of the case without getting lost. One basic framework will not help you change gears when the case changes direction.

Of the remaining candidates who made an attempt at framing the discussion, most sounded like this: "Ummm . . . profit . . . well revenue minus costs equals profit so . . . I would like to talk about each of these . . . do you have any more information about revenue?" It sounds robotic and shallow. I wondered if they were cramming frameworks on flashcards the night before and were now reading them off the back of their eyelids.

The candidates who caught my attention said something like this: "Since we're focusing on profit, I'd naturally like to understand what's happening with your client in the areas of revenue and costs. My hunch is that competitors in this industry tend to differentiate more on price and less on costs so I'd like to start with revenue. I would also like to talk a little more about the industry barriers and competitor landscape. To get started do you have any information on total sales for the last couple of years?" Wow! Not only is this person relaxed and confident, she sounds like a Business Advisor. She made a great first impression.

The Power of Nerves

Memorizing is one thing—keeping it all straight is another matter entirely. To really take advantage of your memorized material, you need to recall the right information at the right time. But how?

If you're a framework junkie trying to assess a company's competitive environment, when should you use the 4 C's versus SWOT analysis? If you are trying to launch a new product in an unfamiliar industry, do you start off with the 4 P's or Porter's 5 Forces? Picking just the right framework at the right time is difficult, especially when you're in the hot seat.

Few people fully anticipate the power of nervous energy during an interview. The same adrenaline rush that gives you laser focus one day, can cause you to say all kinds of illogical things the next day. And no matter what you try to do to harness this energy, it is a force that is difficult to control.

This is the time when the carefully memorized information in your head turns into a big pot of "framework soup." Structures blend together; questions flash in your mind then disappear; insights cloud over. When you're nervous, you'll cling to what you know best.

Unfortunately, this will be only a portion of what you memorized. By studying the MVM™ and using the practice cases in this book, your knowledge base will be solid enough to beat your nerves every time.

Can you jump off of your mental check-list and quickly take the case in a new direction?

Gaining a Larger View

All of the memorization in the world will not help you if you don't understand the topics you are discussing. Sometimes candidates go through the motions of solving a case without really knowing what they are talking about. They worked hard to memorize a bunch of formulas. They reviewed the various types of case questions. They practiced with a partner. But at the end of it all, they didn't grasp the bigger picture.

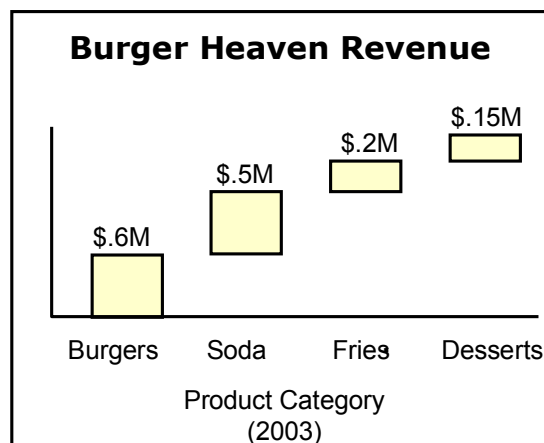
Let's say you intend to memorize a list of questions for every type of case. How do you ask them in a manner that helps move your analysis forward? What happens when your interviewer throws you a curve ball? Can you jump off of your mental check-list and quickly take the case in a new direction?

I have heard some candidates take a relaxed view: "Don't worry about it. The main thing is to get the case discussion started and then let it evolve. If you're smart, you'll get to the right answer eventually." That's pretty much like saying, "For open heart surgery don't worry about where you make that first incision, you'll find the heart eventually." Like heart surgery, solving cases this way is messy. Ideally, you want to pinpoint what the case is about, start the dialogue in the optimal area, and bring to bear a full set of questions and analysis to solve the problem. To do this, you will need an integrated and holistic framework that keeps the big picture in view.

Your ultimate objective in a case interview is to figure out how to **maximize the company's value**. Your analysis will be misdirected unless it answers that basic question. Whether the case centers on an operations issue, an organizational problem or a change in strategy, your goal is to increase the bottom line.

The Maximum Value Model - Zone by Zone

You were exposed to part of the MVM™ when you read through the list of business case questions in Chapter 2. That list reflects the simple truth that a company's value levers can be grouped into additive parts. To understand this additive approach visually, review the chart at right. What you're looking at is a simple waterfall or cascade chart. This type of chart shows how various parts add up to a whole. Basically, one plus one equals two when it comes to company value.



First, let's spend some time reviewing how each zone contributes to the company's overall value. These explanations are free of unnecessary business jargon, as in a case interview, you should be able to explain each topic in common sense language. Next to each value lever is a simple picture, a small memory aid that will help you pull your knowledge together.

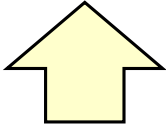
Zone 1 – Strategy

In the Strategy Zone, all but one of the four levers require that something be done to or with the company or a major portion of the company. The four levers are:

- ☐ Expand Scope
- ☐ Reduce Scope
- ☐ Change Direction
- ☐ Do Nothing

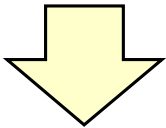
Think of these as the dramatic actions you can take to effect a major change. These activities fall under the classic definition of corporate strategy.

Expand Scope



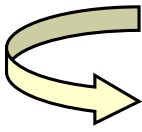
- **Merge** with another company and gain access to their resources, like smart executives, well-connected sales people, efficient processes and new customers. These new pieces of the business pie, if properly integrated with your business, can help you sell more products and services and/or cut costs, the two ultimate levers of profit.
- **Acquire** another company and get the benefits of merging without the hassle of compromise. You can shut down plants, eliminate divisions or redirect resources into more important areas. With any acquisition there should be some clear facts around what you are buying and its potential value.
- **Joint venture** with another company and gain some new opportunities without the risks of merging and acquiring. Joint ventures usually bring something new to the market, like a hybrid product. JV partners use each other's technological resources to develop new products and then use each other's customer base to sell the products. It is important to negotiate properly and understand the limits of the agreement to ensure that the new deal generates additional value.

Reduce Scope



- **Divest** of a part of the business or a subsidiary. Eliminating a “dog” of a division can free up personnel and dollars to focus on more important products (to sell more), or it can eliminate costs that may not be paying for themselves. Since businesses are like the human body, with myriad connections among all parts, cutting off one part impacts more parts of the business than you may expect.

Change Direction

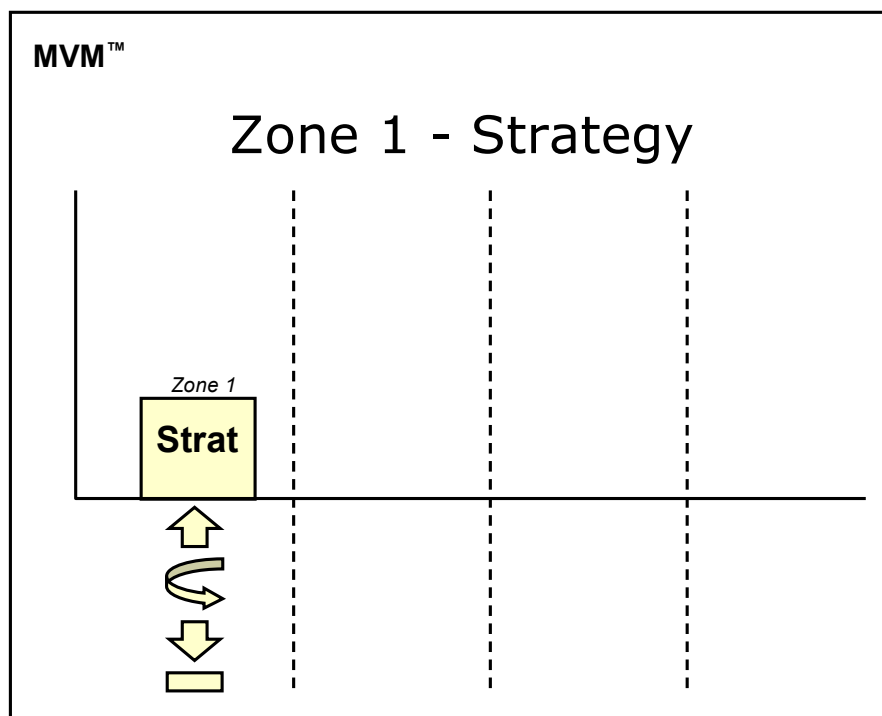


- **Enter a new market** with your present product line or a new line of products. Consider what share of the market you will be able to capture and how much it will cost in terms of research & development (R&D), marketing and distribution. External Forces (Zone 5) like competitor strength, government restrictions and patented technology may come into play. Your method of entering the new market may result in additional costs (see Strategy, Expand Scope) that will affect the bottom line.
- **Exit a market** and potentially reduce costs. Since you will no longer be selling to this market, your value lever is cost savings. Removing sales force personnel, administrative labor, manufacturing lines and raw materials will cut your costs. Keep in mind that you may lose sales when you exit a market. Customers may become disenchanted, or your company's image may be diminished. Your absence in one market could strengthen a competitor, which ultimately could hurt you in another market.
- **Develop and sell new products and services.** This lever is an opportunity to gain more revenue; the questions are where and how. Your product must differ from our competitors' and must provide the customer with some benefit. It would be ideal to protect the new product from imitation using patents or copyrights, but such legal protection is not always available. Also, you want the new product to complement your current offerings without cannibalization (customers switching from one of your products to another), unless it's a planned replacement. Distributing the product to your customers may involve new channels and overcoming external factors like competitor response and government regulation.
- **Reposition the company's brand, focus or image.** This may mean an entire upgrade of the brand or a plan to shut down low-performing product lines. In any case the repositioning is likely to increase costs in the short term as you spend more on advertising, sales initiatives or research. You must be reasonably sure that customers will respond by buying more or paying more.

Maintain the Status Quo

- **Do nothing** to the present strategy after careful assessment of all of your strategic options. To make sure you didn't miss any strategic opportunities, review the levers of the strategy zone. If you are sure that entering or exiting markets, making new products or repositioning the company will not increase the bottom line, then taking no action makes the most sense. Your company may need to direct its energy internally to Zone 2 (Operations) or Zone 3 (Organization).

Zone 1 (Strategy) is the first column of our MVM™ waterfall chart. Each of the four strategic activities contributes value to the company.



Zone 2 – Operations

When you think of operations, think about the internal activities of the company. How can we change our day-to-day practices to increase our profits? This is the meat and potatoes of running a company – managing revenue and costs. This is the basic formula that we all know well:

$$\text{Basic Profit} = \text{Revenue (Price} \times \text{Volume)} - \text{Costs (Fixed} + \text{Variable)}$$

Here's how you can think about the levers of profit using common sense.

Increase Price

P

- **Raise prices**, and you may or may not see the bottom line increase. Revenue will go up if you sell the same amount of goods, or go down if customers buy less or switch to your competitors' products. Competitors may quickly match your price, which would mean everyone in the industry is giving himself a raise. Your suppliers might raise the price of raw materials, negating the effect of your price hike.
- **Change your pricing matrix.** This is more complex than a simple price bump. The pricing matrix, grid, table or whatever you want to call it refers to how prices are structured for the product line. *Market pricing* reflects true market demand (i.e., what people will pay). *Simplistic cost-based pricing* is the cost to produce the item plus a standard margin. Changing this matrix may involve repositioning some products with a price increase to reflect their high demand and lowering the price of others to dominate a category. This is called a "pricing strategy" because it is complex and considers the impact of various pricing actions. Changing the pricing matrix may either increase or decrease profits, depending on its effect on sales volume.

Increase Volume

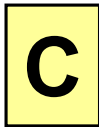
V

- **Keep customers** at their present purchase levels by encouraging loyalty. Customer retention is one of the most powerful levers for maintaining revenue, as many companies experience significant customer attrition each year. The effort to retain customers may be costly. Retention programs may include additional hand-holding from the sales force, marketing literature, advertising or coupon offers, to name a few examples. The true impact of a loyalty effort is measured by the difference between revenue maintained and the cost to sustain it.
- **Increase share of wallet** with present customers by enticing them to buy more. You can increase share of wallet by taking sales from your competitors. This approach may or may not increase costs. In some cases, it can be accomplished by evaluating your sales force and changing its approach. A more expensive option would involve spending more time with customers (corporate) or marketing more extensively (consumers). Net out the increase in revenue with the additional costs, and you have your bottom line impact.



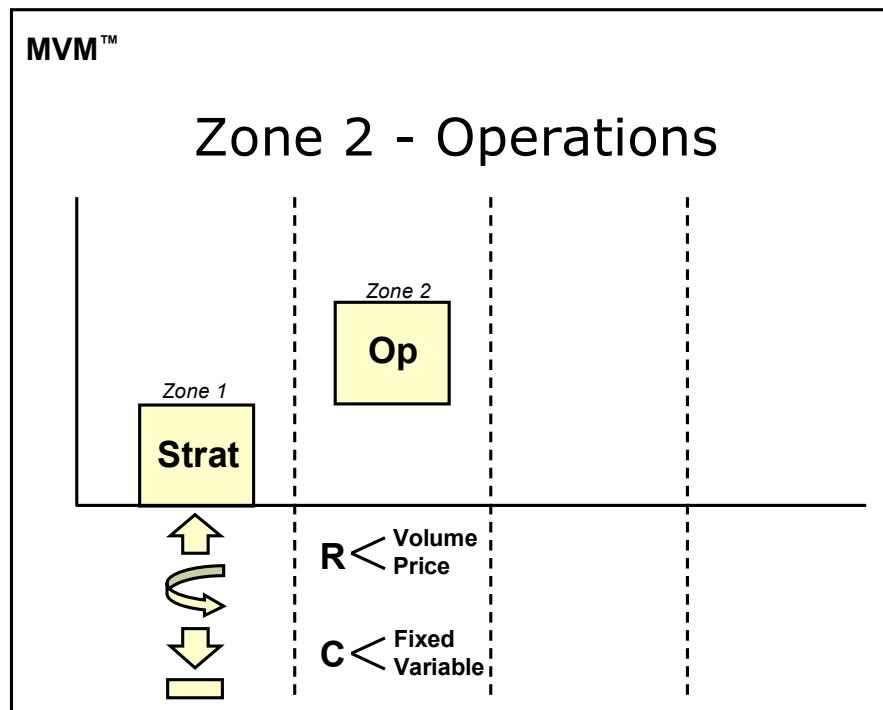
- **Acquire new customers** through increased selling effort. This approach may involve bulking up the sales force or changing their tactics to reach a broader portion of the market. In conjunction with their efforts, the company may spend more on advertising, marketing materials and administrative support. Sometimes new customers are attracted by your reduced prices. You should carefully evaluate the cost/benefit of price reductions to avoid a loss of profit.
- **Develop new channels or better utilize existing channels.** to increase sales. This is a straightforward means of gaining access to new customers and is a part of almost any effort to increase volume. New channels may include Internet commerce or direct marketing. Keep in mind the tradeoff between increased selling costs and increased revenue.

Reduce Costs



- **Assess fixed vs. variable costs** and determine which ones can be reduced to their minimum operating level. Most cutbacks focus on reducing variable costs or substituting fixed costs with cheaper alternatives. Product quality, delivery time and other service standards must be monitored carefully, or cost savings will be offset by revenue losses.
- **Examine internal vs. external costs** to find savings opportunities. For instance, it might be cheaper to outsource production.

Let's add Zone 2 (Operations) to our MVM™ waterfall chart:



Zone 3 – Organization

This zone includes the qualitative elements that make a company work well or poorly: people, processes, technology and measurement. The impact of these areas on the bottom line is relatively difficult to quantify. *People* are tied together through roles, responsibilities, departments and hierarchies. *Information technology systems* function as the nervous system of a company, linking parts together with information critical for success. *Processes* are the rules for keeping everything working smoothly. And *measurement*, a consistently hot topic in companies today, tracks how everything is progressing. Pulling these Organization Zone value levers requires that you identify how each of the four elements relates to the bottom line and develop measurement systems to determine whether they are having the expected impact.

Optimize People

Head =
People



- **Build skills** throughout the ranks, and you will (theoretically) have a stronger team and a more profitable business. Some skills can be “imported” with the talent you hire, but most employee capabilities must be built through training programs. More skilled employees may help you sell more stuff or cut costs, but there are no guarantees that training investments will pay off.
- **Optimize compensation** by trying to spend your wage dollars on the most valuable people. An optimized compensation system brings the most value to the bottom line, whether through a highly paid management team or an aggressive sales force. A compensation scheme needs to provide the right incentives and minimize turnover of valuable employees.
- **Simplify the organization** by creating the right roles, responsibilities and relationships. Over time organizations tend to become unnecessarily complex, with layer upon layer of bureaucracy that bogs down the company and limits its performance. Simplification may involve restructuring, firing, hiring, and redefining roles and responsibilities. When changes are made, you must manage employee morale to stem attrition and avoid increased hiring and training costs.

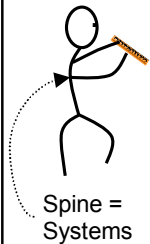
Streamline Processes



Legs =
Processes

- **Improve quality** by reviewing everything from raw material handling to the R&D process. Ensuring that quality stays high keeps customers happy—but it comes at a price.
- **Focus on internal efficiency and supply** to ensure that products are moving through the company quickly and getting to the customer as promised.
- **Focus on capabilities** to determine whether the correct processes are in place.

Optimize Information Systems



Spine =
Systems

- **Upgrade information systems** and gain better control over the data that drives the company's results. Most large companies migrate to some form of an ERP (Enterprise Resource Planning) package that ensures that everything from customer orders, to manufacturing to accounting is tightly integrated. New systems, however, have a way of sucking up massive amounts of people's time getting them customized and installed. And once they're in place, there's no guarantee that they will house or integrate actionable information. To truly impact the bottom line, a close eye needs to be cast upon what kind of data goes into the system and what is the purpose of collecting it. At best these systems will track data that will help management understand that status of the business and enable them to make data driven, strategic decisions.
- **Simplify and integrate information systems** and free up people from the drudgery and confusion that comes from duplicate data entry points. By taking away redundancy in data collection, there should be more time to focus on the important aspects of the business.
- **Automate non-value added activities** through new information systems and again you free up people to focus on what is truly important. Information systems will never directly impact the bottom line through revenue generation, but they can free up and enable people to focus on maximizing the company value.

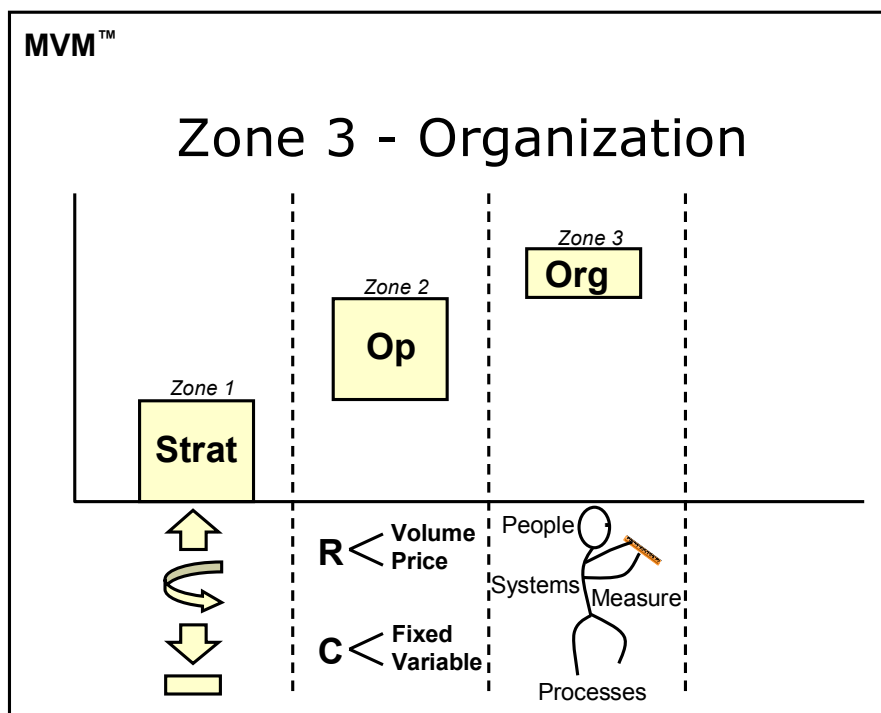
Measure Results



Ruler =
Measure

- **Create metrics** to track the most important activities and results of the business. To be actionable, these metrics should be narrowed down to a reasonable set (15-20 maximum), be consistent throughout the company, and be gathered and reviewed often. Most companies have enough KPI's (key performance indicators) and reports to wallpaper the company cafeteria. Too often, a large portion of the management team thinks that an executive dashboard is a feature on their BMW. Unfortunately, despite all the talk about measuring results, most companies are very weak in this area. Once a team does accomplish it, however, they can begin to affect the bottom line by making better decisions.
- **Compare metrics** from year to year to understand how the company is performing, and to better understand parts of the business that are not being measured. Use these insights to make changes that increase company value.

Now we can add **Zone 3 (Organization)** to our MVM™ waterfall chart. Notice how the box representing Zone 3 is smaller than the first two zones' boxes. The Organization zone, while important, does not contribute as much toward the overall value of the company as the first two zones.



Zone 4 – Finance

These items show up on your balance sheet and directly impact both your bottom line and the overall potential value of the company. For example, reducing inventory levels can free up investment dollars to expand the business. Even though these levers show up on the balance sheet, fixing them often touches back to operational and organizational actions.

Keep Cash King

CASH

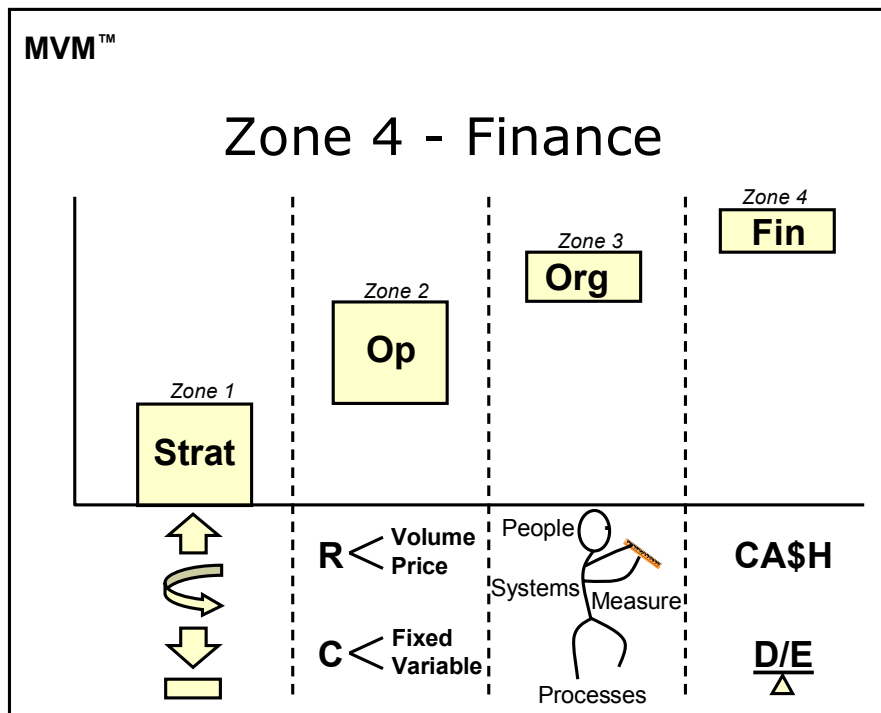
- **Reduce inventory**, and you may be able to shave costs in a couple of ways. Think of inventory as a cost item necessary to run the business. You need to have stock in the production cycle, reserve stock in case of shut downs, and seasonal stock. Many companies also have inventory that is being shipped or is located at customer sites. Your goal is to reduce these amounts as much as possible while balancing the needs of customers and the costs of late shipments. Tighten up too much, and you may see revenue drop off as customers become dissatisfied.
- **Reduce receivables** to put cash in your hands. Credit sales are a fact of business. It's important to determine the best balance between giving acceptable credit terms and collecting payments promptly. If your terms are too tight (e.g. <30 days of credit), customers may be turned off. If they are too loose, your cash flow will decrease and eventually restrict other business activities.
- **Increase payables** by working closely with your suppliers to secure the most favorable credit terms. This frees up cash which can be used to meet more pressing needs like payroll, taxes, operational costs and dividends. Securing favorable payment terms may be more important than getting goods at a discount, as angering key suppliers can put production and shipments in jeopardy and potentially cause customer service problems.

Balance Debt & Equity



Balance Debt and Equity to maximize the company's value in the eyes of investors. Starting with the extremes, 100% equity (amounts paid in by original owners and profits over the years) implies that the company has not taken advantage of debt, for both expansion and for tax shields. On the other hand, taking on extreme amounts of debt increases the company's chance of default and reduces their borrowing power, as investors will require a higher rate of return on such a risky investment. You must find the right balance between the benefits of debt and the curse of default risk. In terms of bottom line impact, debt can provide money for expanding the business, developing new products or financing a sales campaign. But it is certainly unwise to put the company at risk by assuming too much debt.

Zone 4 (Finance) is the last column of the MVM™ waterfall chart. Like Zone 3, it makes a relatively small contribution to the bottom line.



Zone 5 – External Forces

Now that we have moved through the primary levers of company value, let's address external forces. These items have an overarching effect on your business and can impact any of the first four zones. They are rarely the main drivers of a case but are still very important.

Here's a way to remember the eight external forces. The first letter of each word spells out "SPECIAL-T", as in: "Cracking cases is my SPECIAL-T." Corny, but effective!

Suppliers

S

Nothing brings a business to its knees faster than having its supplies cut off. A supplier's strength increases with the uniqueness of its product offerings. Likewise, its strength decreases if its product is considered a commodity. Suppliers feel the heat when purchasing agents expect price reductions year after year (Zone 2). Sometimes a company strategically acquires a supplier to capture savings and ensure the availability of supplies (Zone 1).

People

P

- **Public reaction**, not necessarily identical to customer response, can greatly influence management decision making. Think about the bad press that oil companies get for damaging the environment or the recent trend among consumer packaged foods companies to eliminate trans fatty acids from their products. In both cases customers have not necessarily reduced their consumption of the products, but the public as a whole has disapproved of the company's actions. To avoid public censure, companies may make changes in one or more of the first four zones.
- **Shareholders** impact the decisions a company makes, depending on their level of power. When there are few shareholders and their relative strength is concentrated, they may have significant influence over the management team. They may become involved in strategic decisions like acquisitions or joint ventures (Zone 1), or they may want to influence the makeup of the management team (Zone 3). The reverse is naturally true when the power is spread across a larger number of shareholders.

Economy

E

The economy affects every one of the four zones (e.g., whether or not it's a good time to acquire a small competitor [Zone 1], how important it is to reduce costs [Zone 2], how difficult or easy it is to find top talent [Zone 3], or the availability of financing [Zone 4]. Forecasting the company's performance becomes increasingly difficult as the economic forecast becomes more variable.

Competitors

C

Every management team would like to know more about their competitors for one simple reason: the competition can force their response in almost every area of the business. The obvious area is revenue, within Zone 2, since competitors market products and services that compete directly with your own. However, Zone 1 is also a target, as competitors can take away potential acquisitions or joint ventures. Back in Zone 2, if competitors decide to drastically cut costs, then your company must do the same. They also can wreak havoc in Zone 3 by outshining you in the eyes of customers through the use of systems and measurement or by employing a better management team. Finally, their efficient use of cash and debt may give them leverage difficult to match (Zone 4).

Industry

I

The playing field, the industry, can determine several elements of the business. The first and perhaps most obvious is the nature of profit in the industry (Zone 2). Grocery sales are not likely ever to provide the same margins as computer sales. Varying segments within the industry can exhibit varying profitability. Growth rates can also vary widely.

Auditors

A

The term “auditors” encompasses any external body that might dig into our company’s finances and its ethical behavior. Serving as watchdogs, they can influence the management team by requiring greater accountability to shareholders. However, additional checks and balances may increase costs in the areas of people and systems (Zone 4).

Legislation

L

Following the rules can require a company to understand legislation covering the environment, trade unions and national concerns. The business must comply and is naturally restricted by these laws.

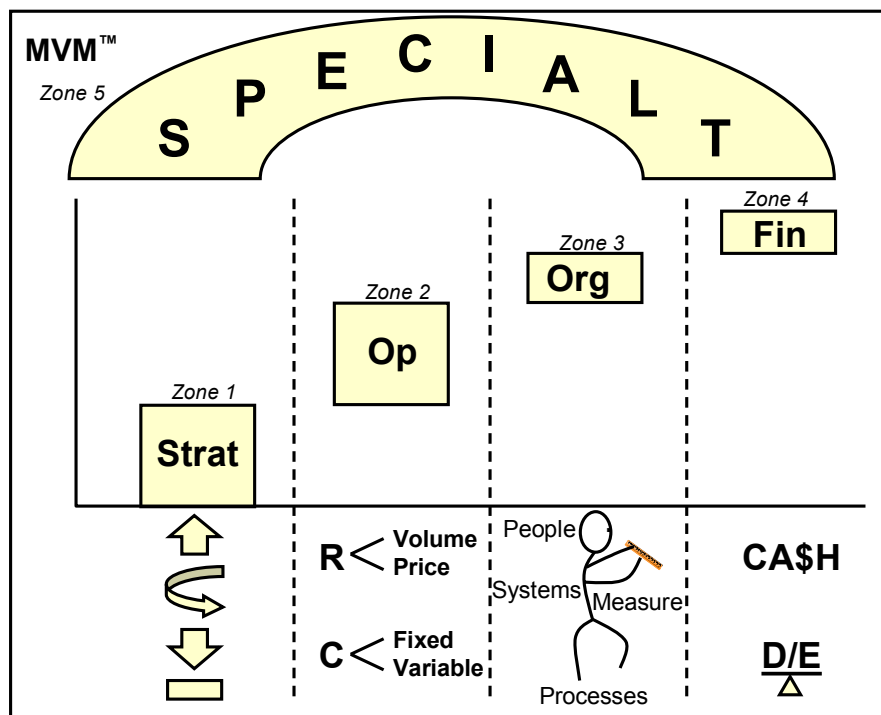
Technology

T

Last but not least, technology wields tremendous power for change. It can transform industries or products to such a degree that acquisitions, joint ventures and mergers become a necessity to compete (Zone 1). Technology improvements in raw materials can result in better products or significant cost reductions (Zone 2). Processes that used to be time intensive can be streamlined through technical improvements and systems changes (Zone 3). Finally, dramatic technology change can result in the need for additional funds to invest in new plants and equipment (Zone 4).

Zone 5 (External Forces) arches over all of the other zones of the MVM™.

Zone 5 – External Forces



You have just finished building the MVM™. You should now have a basic understanding of how each lever can impact the bottom line; either through direct control, like cost reduction, or through a secondary influence, like hiring a new CEO.

At this point, don't worry about memorizing every point I made in each section. You already know most of this information from your business experience, classwork, and common sense. You will have plenty of time to make this knowledge rock-solid as you practice navigating through the MVM™. To help you prepare, Chapter 6 contains ten Practice Roadmaps for the most common case types, and Chapter 7 is filled with some of the hardest cases you have ever encountered.

Now that you have the basic MVM™ Roadmap under your belt, in the next chapter you will learn how to drive your interviews forward using the FRAME™ method.

Chapter 4

The FRAME Method

“The shrewd guess, the fertile hypothesis, the courageous leap to a tentative conclusion—these are the most valuable coins of the thinker at work. But in most schools guessing is heavily penalized and is associated somehow with laziness.”
- C R Smith

The top consulting firms expect a lot from a candidate. You must smile, be engaging, build rapport, and answer succinctly. And this is before you even get to the case! Once the case is underway, your nerves are in high gear. At that point, your success will depend on the amount of “muscle memory” you’ve built in your preparation. If you have methodically practiced, then you’ll be in good shape. If you haven’t, you will probably fall into a well-worn pothole. As I mentioned in Chapter 1, candidates tend to stumble in a few areas:

- ◎ **Riding, not driving** – they approach the interview passively, leaving me in charge
- ◎ **Getting started** – they don’t even know where to begin or how to set a solid plan
- ◎ **Reading me, the audience** – they don’t listen well or follow my pace when presenting
- ◎ **Staying focused on the data** – they tend to talk about the non-quantitative elements first
- ◎ **Wandering around the answer** – they have no hypothesis, so they don’t know where to go
- ◎ **Ending the case** – they are afraid to finish, thinking that adding one more idea will help

I developed the FRAME Method™ to help you avoid these hazards. It is a simple five-step approach to consistently setting up the problem and then moving through the case. You won't need to worry about missing a major part of the case or forgetting to end on time. Awkward beginnings will be a distant memory. You will have a reliable method for successfully solving your cases.

What is the FRAME Method™ ?

Form a Plan

Read the Audience

Ancor a Hypothesis

Mine for an Answer

End the Case

Step 1: Form a Plan (F)

The first step in the FRAME Method™ is **Form a Plan**. Using the MVM™ as your mental roadmap, you should highlight for the interviewer where you'll start the discussion and name the areas you plan to explore. In this step, your goal is to create a unique framework for the case, using your own words.

Beginning this way accomplishes two things: it shows the interviewer where you are taking the case, and it gives you an opportunity to make sure you understand the question. If your understanding of the case is way off, the interviewer may (or may not) clarify or restate the question. Using the MVM™ as a guide, you need to quickly sketch out a direction for the case while keeping the bigger picture in view. Remember, you want to do two things:

- **Mention where you want to start** – target one of the five zones in the MVM™
- **Mention areas you want to explore** – connect the dots to the other zones

What does this sound like in an actual interview? To give you a better idea of how to apply the FRAME Method™, throughout this chapter we will discuss a toy company called Squeezy Soft.

Squeezy Soft, maker of dolls and soft toys, has a successful line of miniature, plush animals called Wild Critters. They are sold only in North America. Recently, sales have been successful in the US and Mexico, but the same products have not sold well in Canada. Management has reviewed a few obvious potential problem areas, but they do not have an answer for the weak sales. They want to understand what is going wrong. What would you advise?

First off, we know that this is not a strategic question, since we are not making any major changes to the business, so forget Zone 1 - Strategy. We also know that this is not a financial question about cash flow or the balance of debt and equity, so forget Zone 4 - Financial. Most likely this will relate to something we are doing as a company (Zones 2 - Operations or 3 - Organization) or something unusual about the Canadian market (Zone 5 - External Factors). You want lay out a path for the interviewer that will wind through these areas in a logical manner. Here's one approach:

"Since Squeezy Soft sales are strong in the US and Mexico but not in Canada, I'd like talk about some potential unique aspects to the Canadian market (Zone 5). I would also like to explore operations to find out whether there is something different about how we get our product to market in Canada (Zone 2), or how our sales process works (Zone 3).

That's all there is to it. You've gotten the interview off to a great start by outlining, in your own words, your path through the MVM™. You have created your own custom framework. Using this roadmap, you will be able to navigate smoothly through the various zones, discussing how best to maximize Squeezy Soft's value. And the roadmap will be easy to remember—because you just developed it.

Step 2: Read the Audience (R)

The second step is **Read the Audience**. By now you should have formed an overall impression of your interviewer. That's right, you aren't the only person being judged! As you shook hands, walked to the interview room and made small talk, you formed a pretty good idea of your interviewer's style. Reading your interviewer is critical to every step in the case. (I could have put it first in the acronym, but the RFAME Method just wasn't as catchy. As a result it will stay in second place, even though you will revisit it throughout the interview.)

Reading your audience consists of listening carefully to what your interviewer says and watching closely how s/he responds to you throughout the case. Small changes in tone, pace or body language can give you big clues on how to proceed with the case.

Reading your audience consists of listening carefully to what your interviewer says and watching closely how s/he responds to you throughout the case.

For instance, when I was an interviewer I tried to be warm and friendly during the first couple of minutes, but then shifted to a more businesslike, “show me the answer” tone throughout the case. I found that I could better read someone’s skills if I gave him focused questions and created a more serious tone for the interview. When I’m serious, I tend to show little emotion. Even though I tried to remain poker-faced regardless of a candidate’s answers, I’m sure changes in my body language, the pace of the conversation, and my tone of voice gave clues to what I thought of his/her analysis.

My approach to giving cases is one style among many. During your interviews you will meet a variety of personalities. You also will encounter a variety of experience levels, from third year consultants to very senior partners. It’s fairly common for each person who interviews you to have an equal say about your fate, however, so don’t get hung up on rank.

To give you an idea of the types of interviewers you might encounter, I would like to introduce you to some common characters. Of course, no two people are exactly alike, but in the consulting world there are a few basic categories. Let’s meet these folks and talk about the best way to respond to their various styles.

It's fairly common for each person who interviews you to have an equal say about your fate, however, so don't get hung up on rank.

Data Man (or Ma’am)

“Just the facts, ma’am” is this person’s mantra. Don’t expect a lot of chitchat with a Data Man. He’ll greet you with a forced smile, but you can tell that his mind is elsewhere. His mission is to push you through the case as quickly as possible and put a score by your name. So don’t go crazy trying to bond before the case begins.

Throughout the interview, be pleasant but stay focused on the data. Ask specific questions and give specific answers. Remember that a Data Man is only interested in seeing you solidly crack the case. He is asking himself: do I want you on my project team? Do you have enough horsepower? Will you be low-maintenance?

He or she will rely on others to fill in the gaps on whether you were a nice person and would be fun to sit next to on a plane.

Chatty Cathy (or Charlie)

You get the creepy feeling that Kathy is just as nervous as you. For some strange reason, she really wants you to like her. Is she interviewing for a firm or a sorority? She spends a good deal of time telling you about her clients, her work/life balance, and her last good meal at a local restaurant.

The truth is, she may have a very short case and wants to spend 50% of the time “getting to know you.” Her interview partner is probably a Data Ma’am, so a little extra talk isn’t going to hurt. In any case, play along, but keep the conversation professional. If you are enthusiastic and friendly, Chatty Cathy will make you feel like you’re a part of the team already.

But don’t be lulled into a false sense of security. The Chatty Cathys and Charlies may treat you like gold, but they will judge your performance as critically as any other interviewer.

Silent Partner

He is congenial and polite, but he doesn’t say much. You comment on the weather, and he just nods and looks at you. You wonder whether there is something stuck in your teeth. It’s impossible to tell what he is thinking. His complete neutrality throws you off balance.

He is the Silent Partner. You’re not sure whether he is calmly accepting your answers to the case, or if he is hiding an extreme desire to laugh out loud; unfortunately, you won’t find out the answer until you get either the congratulatory offer or the sympathetic ding later that evening.

The best way to handle the Silent Partner is to keep the discussion moving in a logical flow from one topic to the next. Stay focused on the data. He won’t give you much guidance as you move through the case, so you’ll need to be confident in your analysis. Make sure you stick to the facts, and whatever you do, don’t try to schmooze.

Step 3: Anchor a Hypothesis (A)

How do you prove that you are a savvy business advisor in less than 20 minutes?

The key is to **Anchor a Hypothesis**.

In my experience, when you execute this step in the FRAME™ Method, you will distinguish yourself from 90% of your peers.

Your hypothesis is your educated mental guess or “hunch” about where the solution and the value of the case lies. It answers the core question at the heart of most cases: *Where is the value?* You should use your hypothesis as an internal guide to help you focus your questions as you try to find the “so what?” of a case quickly. **You do not need to explicitly state your hypothesis to your interviewer.**

You may be wondering how this step is different from Step 1: Form a Plan. The short answer is that your plan is your roadmap, guiding you to all the necessary locations to look for value (revenue, costs, competitors, etc.) and the hypothesis is your thought as to where you'll find the value as you follow the plan. Let me offer you a simple example.

The Golden Egg Hunt

Let's say you and I meet in a school building on the campus where you are now a student. The building is about ten floors high and each floor has a variety of classrooms and study rooms. One floor has a café and one other floor is dedicated to lounges and lockers.

You and I meet in the lobby and when I arrive I say, "Guess what. I have a special challenge for you today. Somewhere inside this building I have hidden a golden egg. Now if you find that egg in the next 30 minutes, I will give you \$1 million US dollars." Of course you accept the challenge and are about to race off when I say, "Wait! I almost forgot to tell you. I hid the egg in a space about 1 foot high by 1 foot wide by 2 feet long. Good luck." Well this last piece of information really gets your mind racing. You think it could be in a trash can or locker or desk drawer or maybe a spot you haven't even thought of yet. A trash can seems odd though, since someone might empty the trash can before you can find it. Lockers may be a good idea, but many of them are locked. A desk drawer seems like a great idea as there are many desks throughout the building, which would make the million dollar search difficult.

Meanwhile your plan to start on the 10th floor and then run down the stairs to the 9th. Both floors have a lot of classrooms and plenty of desk drawers. You'll then go to the 3rd floor because it is the lounge and locker floor. You can't completely eliminate lockers, even though your hunch is that the egg is in a desk drawer. A quick look through most of the lockers and then you'll finish on the 2nd floor. It is close to the lobby where you have to meet me in 30 minutes and is full of classrooms and desk drawers.

Do you see the connection between the plan and the hypothesis here? Of course, there is a logical plan you want to use to find the egg. You know that you can't limit yourself to just one floor so you laid out a path you will take. But, as you move through the building, you have a hunch. You think the egg is in a desk drawer and secondarily, you're willing to look at some lockers. This approach is the only way you can cover this huge building in a logical but focused manner. Think of Forming a Plan as a path you want to take, similar to taking yourself through the building to find the golden egg. You tell the interviewer where you plan to go so that you all understand the path you're taking. Anchoring a Hypothesis is the quick process of locking down where you think you'll find **insights and value**. It serves as a mental anchor, providing focus as you move through the case. But you will need to prove it with data from the case. If your hypothesis proves to be wrong, its inverse is usually the answer.

In a moment you will see an example of hypothesis-generation using the Squeezy Soft example. But first, let's look at two advantages of using a hypothesis.

A Hypothesis Saves Time

Case interviews are short and fast: you don't have much time to get to the bottom of the problem and recommend a solution. Remember, you must establish the direction of the case within a very short period of time. Chances are, your first exposure to the interviewer's case question inspired an initial gut reaction to it. Don't be afraid to follow your gut. A hypothesis merely gives you *direction* as you investigate the data and arrive at a solution. If your hypothesis proves to be wrong, that's fine. ***The important thing is to determine whether the data supports the hypothesis or not.***

When consultants at top firms begin a case, they typically develop a hypothesis. It is especially important if they are digging into an unfamiliar area or industry. Since most consulting engagements are between four and six months long with solid insights expected around the three-month mark, there is very little time to chase ideas that do not directly relate to the client's problem. Consultants develop a hypothesis to focus their project team's efforts on a finite set of issues. If the data disproves the hypothesis, the team has still arrived at an answer.

"Theory can leave questions unanswered, but practice has to come up with something."

- Mason Cooley

A Hypothesis Puts A Stake in the Ground

Firms are looking for confident leaders, people who can take charge of a difficult situation and resolve it. Interviewers will evaluate your confidence as you solve your case problem. If you amble about, asking lots of interesting but poorly focused questions, they will think you're weak-minded and disorganized. Instead, if you approach your case with laser focus and systematically solve the problem, they will think you're a star. Forming a mental anchor for your questions will give you this focus.

To State or Not to State?

For most candidates, I recommend not stating your hypothesis. When presented in the wrong way, it can come off sounding presumptive and not data driven. However, I have interviewed some candidates who have definite views on where the core value lies in a case. These individuals are typically very good communicators. Stating their hypothesis at the outset worked to their advantage, giving the impression that they are quick-thinking leaders. But in all cases they quickly followed-up their hypothesis with the statement: "I'll have to see if the data proves my thought out."

Many (if not most) candidates are less sure about where the “golden egg” is hidden in a case. They do have a hunch, but it is not a particularly strong one. If you are in this situation, I would suggest using your hypothesis as a mental anchor, allowing it to provide direction to your analysis, without making it an explicit part of the interview.

Case Example

Let's go back to our Squeezy Soft case. Here's the case question again:

Squeezy Soft, maker of dolls and soft toys, has a successful line of miniature, plush animals called Wild Critters. They are sold only in North America. Recently, sales have been successful in the US and Mexico, but the same products have not sold well in Canada. Management has reviewed a few obvious potential problem areas, but they do not have an answer for the weak sales. They want to understand what is going wrong. What would you advise?

As you recall, in Step 1 – Form a Plan, we decided to focus on the company's internal areas, specifically distribution (Zone 2) and the sales process (Zone 3). We also knew that external forces might be contributing to the problem (Zone 5). To develop a hypothesis about why sales are weak in Canada, let's review what you already know and eliminate some obviously wrong paths. During an interview you will naturally think through these elements quickly and select which you want to pursue. Let's go through them one by one.

Ideas You Can Eliminate Quickly

- × **Customers - Kids or parents are different in Canada** – It could be that Canadians do not buy stuffed animals for their kids, but that's not likely.
- × **Product - Our products offend Canadians** – We know from the intro that the product itself is a *line* of animals, meaning that there is a variety and as a result little likelihood that every animal is offensive. On the whole we'd expect similar sales.
- × **Quality - Our products are considered poor quality** – Again we know that the products sell well elsewhere, so that's probably not it.

We've now eliminated some issues that are probably not applicable in this case. What are some likely reasons for the poor sales figures in Canada? Stick with Zones 2, 3 and 5 and use common sense:

Ideas You Should Consider Carefully

- ✗ **Price - our prices are too high** – This could be a good reason, especially with the US dollar stronger than the Canadian dollar. But that seems too obvious for management to miss.
- ✗ **Volume – we’re selling too few** – We know that is true because of the case question. Maybe we’re just not getting them enough product, or maybe our salespeople stink.
- ✗ **Salespeople – our representation in Canada is low** – This also seems obvious and one that management should have caught.
- ✓ **Distribution – our processes of getting product into Canada are poor** – Well, we know that we can get product to Mexico with no problem. Perhaps the product is made in Mexico. Or if it’s made in the US, maybe it’s easier to ship to Mexico. It can be shipped by land to both countries, so that seems odd. But let’s keep this one in mind.
- ✓ **Competitors – maybe we’re a small player in Canada** – This could be a possibility. Maybe we’re not getting shelf space or any push by our retailers?
- ✓ **Legislation – something is blocking our access to the customer** – Are there costly tariffs to enter the country or some other legal holdup?

The next step is to pull these little hunches together and anchor them as your hypothesis. It is easier than you think. Keep in mind that these are your thoughts and do not have to be stated out loud. Here are some possibilities for Squeezy Soft:

I think the biggest problem area will be **distribution**. We’ll probably need to restructure Squeezy Soft’s distribution channels to ensure that a sufficient volume of product is arriving at the retail sites.

My hunch is that Squeezy Soft has a **hard time getting good shelf space** since they are a small player in the Canadian toy market. There may be a few big companies that dominate the stores and get prime positioning.

I think we’ll find that Squeezy Soft’s sales force isn’t being properly motivated to get the product into enough retail venues, most likely because **their bonus and commission structures don’t provide the right incentives**.

As you can see, creating a hypothesis involves eliminating unnecessary lines of investigation and quickly narrowing in on the relevant ones. In some case interviews this process will be more difficult than in others, but if you begin to train your mind to think ahead and anchor a hypothesis, you’ll begin to see more focus in your cases and you’ll move through the material more quickly. More importantly, you are likely to uncover the data you’ll need to support your final recommendation.

Step 4: Mine for an Answer (M)

After you have laid out your plan and created a hypothesis, it's time to find the answer. That's right, an answer. Despite all the talk about cases not having one right answer, there is usually only a small range of acceptable responses. If you "solve" a case with a crazy (albeit logical) solution, you won't succeed.

Mine for an Answer by drilling into areas that follow your plan and also align with your mental hunch. With almost any case you could always mine for answers in a category called "revenue" and another one called "costs". But, that approach may be unnecessarily broad in many case interviews. Instead, it may be clear from the beginning that you need to ask questions in a couple of focused areas. You mine by asking focused questions aimed at proving or disproving your hypothesis. Here are some examples:

Mining Zones

Distribution Channels	Shelf Space	Sales Team Compensation
<ul style="list-style-type: none">• How do we get product to our Canadian retail store customers? – <i>We ship it to them.</i>• What is different about this distribution? – <i>Since we do not have a warehouse or hub-like distribution center, we send each shipment separately. Often times, shipments are held up in customs. Toy lines look incomplete as they arrive piece meal.</i>• Are there other channels we could use? – <i>We could set up a distribution hub (like we do in Mexico) and deliver product to retail stores as well as other outlets.</i>	<ul style="list-style-type: none">• What portion of shelf space do we have today? – <i>On average, we have about 75% as much shelf space as our competitors..</i>• How does this shelf space compare to our competitors? – <i>We need to increase our delivery time dependability with our customers. Our product delays have led many to give some of our shelf space to competitors.</i>• What can we do to increase our shelf space? What are the issues with pursuing more and better shelf space? – <i>Purchasing shelf space requires large "promotional fees" which we want to avoid.</i>	<ul style="list-style-type: none">• What is each team member's compensation today? How does this compensation compare to what our competitors pay sales staff? – <i>On average, team members make about 80% of what they could make at a competitor. The real difference is in the commission structure. Most commission structures "pay" for themselves since the increase in sales covers the additional payments to team members.</i>• What do our sales team members think? – <i>Most team members have been asking for a new commission structure for a long time.</i>

Formulating these questions is easy since you have already broken the problem into a few buckets that you want to search. As you ask these questions you will find yourself engaging in the case and enjoying the discussion. It will begin to feel more like the kind of conversation you might have with a friend over a drink as you wonder “how Michael Dell made all that money” or “who’s going to win out—Costco or Sam’s Club?” You’ll be asking very focused questions and as a result, your interviewer will be able to guide you more effectively.

Once you reach specific answers to your questions and have reviewed any data at hand, you need to tie your conclusions together to form an answer. You will find either that your original hypothesis is wrong, or that you nailed the case question from the beginning. In either case, you’ll know you’ve mined deep enough when you can synthesize your findings into an answer that is backed up with facts and financial data.

You’ll know you’ve mined deep enough when you can synthesize your findings into an answer that is backed up with facts and financial data.

Step 5: End the Case (E)

Now comes the best part of every case interview: ending it. Unfortunately, few candidates end a case properly. It is almost as if they are afraid to “close their blue book” and say, “That’s it. That’s my best shot.” Instead they tend to meander about until the interviewer forces them to wrap it up.

To succeed, you need to **End the Case** each and every time without prompting. Occasionally, I got into a great discussion with a star candidate and had to prompt him to wrap it up, but in general, *you* should be tracking the time and know when to bring the discussion to a close.

Ending a case well means summarizing your thoughts in a form that answers the original question. Even if the case lacks a very specific question, your final thoughts should bring conclusion to your analysis in a synthesized manner. To do this, return to the answers you found while mining the data.

Let’s go again to our Squeezy Soft example. Here’s a solid ending:

“Squeezy Soft is facing a distribution and sales force compensation problem in their Canadian operations. Products are consistently arriving late to stores due to customs hold-ups and general delays. Shelf space has to eroded to 75% of our competitors’ as retailers trust us less. Also our sales force is making 20% less than they could at competitors’ due to our lack of a commission structure. I recommend that we look into setting up a hub distribution center in Canada to make delivery faster and more reliable. We should implement a new compensation model immediately as it will cost us very little and prevent the exit of our best people.

You have now finished your trial run of the FRAME Method™. We will use this method for solving each of the Case Packs in this book. As you practice with a partner, you will become adept at Forming a Plan, Anchoring a Hypothesis and determining where to begin your questioning. Along the way, you will learn to focus your questions and responses on the quantitative data and key value levers of each case.

As with any new habit, it will take practice to become second nature. Later in the book, I’ll provide you with a study plan and show you ten examples of how to apply the MVM™ and FRAME™ concepts to the most common types of business cases.

Part 3

An Insider's View

Crack the Case:
How to Conquer Your Case Interviews



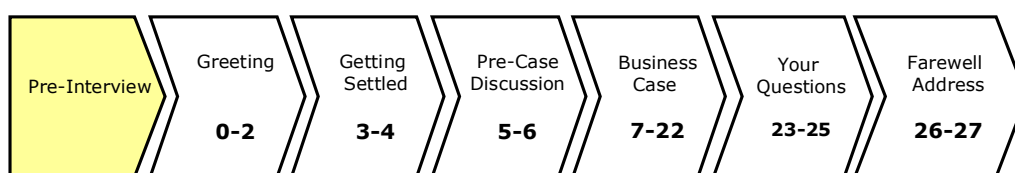
Chapter 5

The Interview Timeline

“My definition of an educated man is the fellow who knows the right thing to do at the time it has to be done.... You can be sincere and still be stupid.”
- T A Boyd

You know by now that you must crack your case in each and every interview to get an offer. But what happens when an interviewer sees several people successfully solve the case but s/he can only recommend two or three? At that point, small but critical differences determine who wins out. Here is an account of every event along the interview timeline and some tips on how to come out on top.

Pre-interview, 10-15 minutes



Checking In

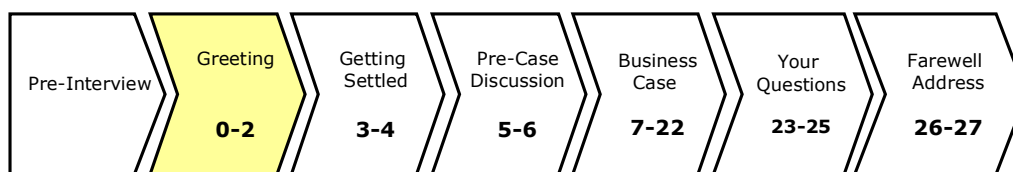
Most of my interviews (both as both interviewer and candidate) have taken took place in hotel rooms. The firms rents out a floor of deluxe rooms and sets up a waiting room in a large suite. They stock it with assorted breakfast foods (that no one has the stomach to eat) and station a pack of first-year consultants to make small talk with the candidates in waiting.

Why do firms interview off-campus? It gives them more control than using the career center and provides a more elegant atmosphere. The firms are highly concerned with brand association so booking rooms at the Ritz Carlton or the Four Seasons adds to their image. If your interview does not take place in a hotel, you'll encounter a similar check-in process at your school's career planning and placement center.

After you arrive and sign in, you should ditch everything but your notebook and pen. You may find an array of tempting food stuffs, but it is best to have eaten carefully beforehand. Avoid eating anything right before the interview; you don't want to be caught with a mouth full of muffin when they call your name. And food and drink can do funny things to your voice when you're nervous.

Be sure to turn your attention quickly to the greeters. They are probably bored out of their minds and wouldn't mind a little small talk (see guidelines below). Your job with them is simply to make a good impression. If you spot someone you've met at a reception or dinner, then by all means focus on building that relationship. These people will not ultimately decide whether you move on, but they can create a favorable buzz about you. This could help you later--if you make it to the final round--as the recruiting staff and partners often talk about the candidates they liked best.

Minutes 0-2



The Handshake and Greeting

Finally, someone calls your name and you stand to greet him/her with a handshake. This is your first point of contact with your interviewer and, therefore, an important event.

A handshake is very personal. You are taking the palm of a stranger's hand and pressing it against your own—a weird custom, when you think about it. Although some germaphobes would like to see the handshake disappear, it is not going anywhere soon. The best handshake is dry, firm and very brief. Wet or moist ones are the worst. Lengthy handshakes are too personal. No exceptions.

Any deviation from “dry, firm and brief” will leave a negative impression. Here are a few folks that no interviewer wants to encounter.

Any deviation from
'dry, firm and brief'
will leave a
negative impression

Limp Linda or Lifeless Luke

Her grip couldn't pull a parachute cord to save her life. You know who I'm talking about: the woman apparently afraid to shake hands. She puts it out there like a gentle flower, and as soon as you grab hold you realize it's already wilted. You're afraid that you may have hurt her. Or the guy who feels like he has a doughnut for a hand—you can't help but think he's weak. If you have a soft handshake and you don't have time to hit the weights, at least give it your all when you shake hands. Lean into it if necessary.

Sweaty Sam or Sticky Sally

Hi, nice to meet you, Sam. I'm David.

Hands meet and we stick together for what seems like an eternity. Your hand feels like a wet sponge. *Yuck!* Finally we separate, and I'm looking for sink or a wet wipe. I know a consultant who sanitizes his hands with a gel sanitizer after every handshake--in front of the candidates! He tells them it's to ward off the common cold, but I'll bet he is really just trying to remove the feel of Sweaty Sams and Sticky Sallys. There is no grosser way to start an interview.

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We've all had the sweaty-hands problem. Getting nervous and sweating is inevitable. Honestly, if you're a big-time sweater and there's nothing you can do about it, then here's a simple solution: in the waiting room press your palm to the couch or your pant leg to keep it dry. For the rest of us, a quick (and subtle) wipe of your hand on your pants or jacket should do the trick.

Bone-Crusher Bob or Bruiser Barb

Hello, Bob, I'm David. I reach for the hand and then: *crunch*. Wow--are my bones still intact? Bone-Crusher Bobs out there, take it easy. There is a huge difference between firmly squeezing a hand and pulverizing a hand. Be especially careful if you're shaking a female partner's hand: a little goes a long way. If you find that the handshake coming back at you is a little weaker than expected, back off quickly. Disabling the interviewer is not a good start to your discussion.

How do you perfect your handshake? Like everything else, practice. Find an understanding friend and keep testing your handshake until you get it right. Along with your warm smile, it is perhaps the strongest part of your first impression, and it matters more than you might think.

Your Clothing

Some of my strangest moments as a candidate involved interviewers scanning my appearance from top to bottom, without an ounce of subtlety. We'd meet and say hello, and then their eyes would travel from my hair down to my shoes and back up again. It felt bizarre to be so overtly checked out. But it happened for good reason: the interviewer just wanted to know whether I fit the part.

Appearance and first impressions are important in the consulting world, as clients want to know that their enormous fees are paying for real professionalism. Hopefully, your interviewers won't be so brazen when checking your appearance, but expect it to happen occasionally.

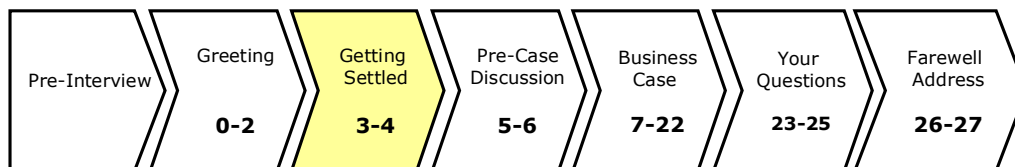
You didn't buy this book for fashion advice, so I won't attempt to adjust your closet. But if you want to get hired, you must remember one simple rule: Don't wear or carry anything that distracts attention from you and what you have to say. Here is my Avoid-At-All-Costs list. Believe it or not, I have seen each of these mistakes—more than once.

Men	Women
<p><i>Avoid the following...</i></p> <ul style="list-style-type: none">✗ Cologne (just skip it; your interviewer might be allergic)✗ Loud ties (no cute symbols or characters)✗ Jewelry or rings of any type except a wedding band✗ Facial hair (some firms are more accepting than others, but why not find out <i>after</i> you're hired?)✗ Weird pens or notebooks (keep it simple; no one is impressed by a Mont Blanc)✗ Any suit color other than black, blue or gray✗ Any shirt color other than white or French blue (why risk it?)✗ Really bold pinstripes in your suit✗ Unkempt or unprofessional hair (one partner I knew nicknamed a candidate the "Beatles haircut kid")	<p><i>Avoid the following...</i></p> <ul style="list-style-type: none">✗ Perfume (just skip it; your interviewer might be allergic)✗ Too much jewelry (less is more)✗ Over-styled, crazy hair✗ Weird pens or notebooks (keep it simple, no one is impressed by a Mont Blanc)✗ Loud scarves or suits (what would you wear to a manufacturing client in the Midwest?)✗ Overly decorated shoes✗ Purses or bags (store them in the waiting room)✗ Red or long fake fingernails✗ Bright lipstick or too much make-up

The Walk to the Room

You have avoided the food but are holding a small juice to calm your nerves. A minute or two before your official interview time, you set it down, dry your hand and wait. After hearing your name called you step forward, offer a huge smile, make solid eye contact, say hello, shake hands and then proceed to the interview room. In some cases, my room was a good fifteen to twenty hotel doors away from the waiting room. Some interviewers will do their best to begin engaging you immediately with small talk on the way; others will walk quickly, say little, solely focused on getting you into the room and starting the case. This is your first glimpse of the interviewer's communication style. Is he pleasant and friendly? Is she quiet and a little brusque? It is a good bet that what you see here will be similar to what you experience when you start the case.

Minutes 3-4



Small Talk

A little chatter here and there is natural with any interview. Try to stay relaxed, but keep in mind that you are being evaluated at all times. It is amazing what pops out of the mouths of nervous candidates! If you tend to say silly things in such situations, try to say as little as possible. To give yourself a head start and to calm your nerves, below are some suggested topics. Your tone should always be positive. Do not complain about anything, or you may appear to be high-maintenance, a definite turn-off among co-workers.

In Bounds

- The weather ("The town is beautiful when covered with two feet of snow . . .")
- Your commute to the interview ("No problem, traffic was light today . . .")
- The interviewer's city ("I got a chance to spend the weekend there . . . it was great!")
- Your school, including your classes ("It has been better than I expected . . .")
- Interview week ("I've had a chance to meet a lot of interesting people . . .")

Out of Bounds

- Your or your interviewer's appearance
- Your or your interviewer's family
- Your health
- The details of other firms' activities (top notch firms do not talk about their competitors)

- Your lack of experience with cases
- Your desire to work only in one city (wait until asked, then be careful)
- Where you are headed after the interview (be vague; it's none of his or her business)
- Your grades or GMAT scores (they probably have them, so wait until asked directly)

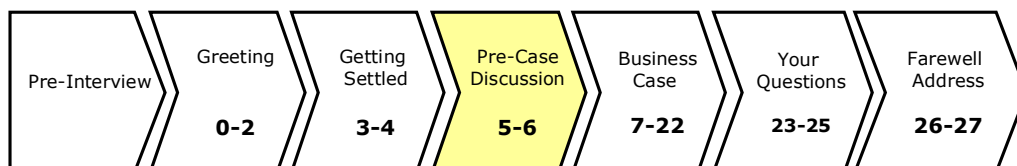
Getting Settled in the Room

If you are interviewing in a hotel room, you might be a little unsettled to see a bed about seven feet from the interview desk. Try not to feel uncomfortable. Many interviewers keep the door ajar with the metal safety latch. The room should be perfectly neat since the hotels offer early maid service. As an interviewer, I always had to be up and out of the room by 7:00 a.m. to ensure ample clean-up time. You may see an open suitcase or a pile of dirty clothes in the corner. Try to ignore them.

If you think this is incredibly subjective and judgmental, you're right. The interviewer is determining whether you would fit into the firm's social circle.

Typically, the room will contain a desk or table. The interviewer will point to where you should sit. If you are solving a case, position yourself to write on the table. This means you'll need to assume what I call the "attentive pose," sitting on the front half of the chair, leaning slightly forward, ready to respond to whatever comes your way. Try to get comfortable, since you will probably be in that position for most of the interview. If you move around too much you'll seem fidgety and nervous. Your interviewer may move around quite a bit. You, however, are expected to stay in good form, so do not relax, even if the interviewer does.

Minutes 5-6



Pre-Case Discussion (What they really want to know)

Do I Like You?

If there is a pre-case discussion about your background, it happens right now. This part of the interview can go in several different directions. The interviewer's main purpose is to get a feel for your personality. Some people like to call it the Airport Test or the Pizza Test, as in "If I got stuck at the airport with you or had to work late and share a pizza with you, would I want you on my team?" If you think this is incredibly subjective and judgmental, you're right. The interviewer is determining whether you would fit into the firm's social circle. Do your best to be engaging with the following mental checklist:

- ✓ Am I making eye contact?
- ✓ Am I listening well?
- ✓ Do I appear pleased to be here and interested in what is being said?
- ✓ Am I smiling consistently (not like a crazed clown, but pleasantly)?
- ✓ Am I matching conversational pace (in synch with the interviewer)?

Why do you want to work for us?

Some people like to jump right into the case, since they know it will take about 20 minutes and they don't want to run out of time. Others start the discussion with a few questions about you and your career aspirations. Here are the basics:

Why consulting? Why banking? Why this industry (e.g., consumer goods)?

The best answers are direct and tight, as in "I love to solve problems, learn about lots of different businesses and face tough challenges on a regular basis. Consulting seems like a good fit."

Be prepared with a couple of crisp bullets for each of the categories you are pursuing.

What other firms are you pursuing?

You will hear this question infrequently during your first round of interviewing, but in the later rounds it is usually asked. Don't lie, but keep it vague at first. You want to assure them that they are not your only opportunity and that you are pursuing their competitors. If you tell a McKinsey interviewer that you are interested in a small boutique IT shop as well, he might question your fit.

Are you interested only in consulting?

This is a very tricky question. If you say yes, it shows you are focused. But it also shows that you are probably lying. Most people have a back up plan in another industry. If you say no it might indicate that you are not focused.

Answer with confidence along these lines: "My primary focus is consulting, but I'm interested in a few other areas as well." No one can fault you for having a variety of interests.

Who Are You?

Some interviewers may use this warm-up time to learn whether you're sharp and on the ball. They might ask you to talk about your resume. Short, focused answers are better than long ones. Keep your answers to the point, and let the interviewer ask you a follow-up question if he wants to know more. This discussion may take one of the following paths:

Quantitative Quickie

- This could be anything from a simple math question to something quantitative on your resume.
- Brush up on your resume by having a friend ask you three questions about each major item on it. Ask your friend to give you honest feedback on your responses. Make sure you are very familiar with everything on the page.

Strengths, Weaknesses and Other Basic Questions

- Much has been written on how to best respond to these questions. My main advice is to prepare answers in advance and practice saying them out loud. Hearing yourself answer will reveal any awkwardness or difficulties. You never know when they will come up and you don't want to be caught off guard.
- On any question about your weaknesses, don't overdo it.

Coolness/Uniqueness Factor

Partners love to find the next cool superstar. You know that person: he's bright, attractive, fun and *an Olympic gymnast!* Or she's smart, outgoing, friendly and was a *backup singer for Faith Hill!* It's really nuts. One partner I know prided himself in nabbing the "top student" of each program. Some interviewers love athletes. Others notice musicians. All of these campus celebrities still have to crack the case like everyone else. If they do, the interviewers and recruiting staff have more to talk (and gossip) about back at the office. If you don't consider yourself to be exceptional, take a fresh look at your resume. Think about your graduate school essays. Remind yourself how amazing you really are.

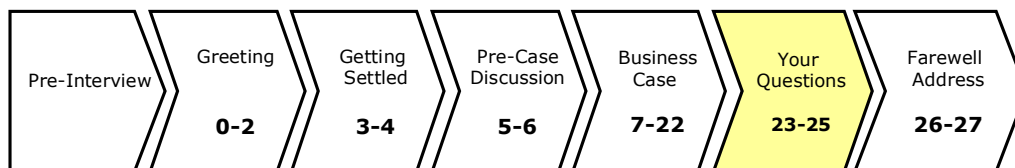
Minutes 7-22



The Business Case Question

The case will usually last about twenty minutes. Most interviewers want to have time at the end to talk about your conclusion to the case and to answer your questions about the firm. Although your case can last a full fifteen to twenty minutes, it is usually decided within the first five to ten. By that time, the interviewer knows whether you are in the bottom, middle or top third of the roster. Even if yours is the first interview of the day, the interviewer most likely has given this case many times before, so it's easy to bucket you. If you fall into the middle or bottom third, there is no hope. If you are in the top third, you have a fighting chance.

Minutes 23-25



Your Questions About the Firm

You need to do your homework in advance. Your best resources are the firm's website, company literature, company representatives and especially past employees of the firm. Make sure you take the time to develop questions that will give you additional insight about the firm. Many students do not prepare in advance and miss this opportunity. They are often flustered or mentally wiped out after the case, but a simple question written in their notebooks ahead of time would keep them on track. One rule of thumb is to focus on the interviewer's experience. Even if you get dinged, you can at least learn something from someone who is living the life you want to lead. Here are some questions to consider and some to avoid.

Good Questions

- Are you still finding your work to be challenging?
- What part of the consulting lifestyle has been the biggest surprise?
- What types of projects is your office focusing on right now? (strategy vs. operational)
- What kind of problem are you trying to solve for your client presently?
- How has your role changed, in terms of dealing with your clients, over the last two years?

Not-so-good Questions (you should already have the answers)

- How much training does a first year consultant receive?
- Do consultants in your office travel much?
- How long does an engagement usually last?
- What would some of my main responsibilities be as a first-year?
- Will there be a chance to interact with the client over the summer?
- How has your office grown over the last couple of years?
- How many years does it take to make partner?
- How did I do?

Minutes 26-27



The Farewell Address

Well, it's over. Not just the case, but also the decision about whether you will go on to the next round (or get an offer). At best, the interviewer has placed you in one of the top three positions in the pile. Each interviewer completes a score sheet rating each candidate's performance. Some try to do it during the interview and fill in the gaps after the candidate leaves, while others start the process at the end of the interview. In either case, they usually end the conversation a little early to finish it. You can expect to be out of the room a few minutes before the official end of your time slot.

Normally the interviewer will bid you adieu at the door of the hotel room. By now you have asked all of your questions, and the whole experience is truly over. A warm smile, a brief handshake and a “thanks for your time” are all that is required. You will head back to the reception area and encounter the greeters again. If you get a dopey question like “How did it go?” respond with a huge smile and say, “Great!” If nothing else, you will further unnerve the candidates in waiting.

Chapter 6

Behind Closed Doors

“We must believe in luck. For how else can we explain the success of those we don’t like?”
- Jean Cocteau

Students often wonder how firms make the final decisions on whom to offer jobs. Many have the mistaken notion that since so many candidates crack their cases, the final decision must be somewhat arbitrary. In reality, very few people crack all of their cases. Sometimes a candidate shines in one interview and bombs another. Here is an overview of how the firms sort everything out.

The Matching System: Duking it Out with Your Partner

During first-round interviews, each interviewer has a partner who will see the same dozen or so candidates. Each interviewer has been with the firm for at least two years, though the two are not necessarily of equal rank. At the end of the day, they need to agree on which candidates to recommend to the final round. To avoid total confusion and potential mistakes, most interviewers try to check in with their partners around lunchtime to make sure they are assigning similar rankings to the candidates. They then meet again at the end of the day to make the final cut. Here’s an example of how it works. Thomas, a second year manager, and Abinta, a third year consultant, are comparing notes on the six people they’ve seen this morning:

Thomas:	How’s it going? Any superstars?
Abinta:	Hardly, but I did have one bright spot. What did you think of Ahmad?
Thomas:	Ugh, I was afraid of that. He was doing great but cratered at the end.

Abinta: How bad was it?

Thomas: His logic fell apart, and he really couldn't pull a recommendation together. He just seemed to get really nervous. It's a shame, because I really liked him.

Abinta: That's too bad, because he crushed my case. What about Nancy?

Thomas: I liked her. I thought she was a great fit, definitely bright, but she didn't get off to a good start. Her framework was a little weak. I'd say give her another year.

Abinta: Let's be sure to let her know that when we call her.

Thomas: I hope the afternoon crowd is better.

At this point, no one will be passed on to the next round. Even if the p.m. candidates are worse than the a.m., Thomas and Abinta will not change their decisions. They have given their cases at other schools and have watched star candidates solve them.

No one's rank ever rises throughout the day. I've interviewed people who seemed pretty good in the morning but ended up squarely in the middle of the pack by the end of the day. To succeed you must absolutely crack every case you receive, period. Let's revisit Thomas and Abinta at the end of the day. They've seen seven more people in the afternoon.

Thomas: What a difference from the morning! Could you believe that group?

Abinta: Finally! I was worried about this place. So, who are your top three?

Thomas: Amy's one, Siva's two and Jeff is three. What did you have?

Abinta: We're pretty close. Siva's first, Amy's second, Todd's third and Jeff's fourth. Any concerns about the first two?

Thomas: No. Basically, Amy crushed the case and definitely had a lot more poise than Siva. There's no doubt that guy is smart, and I'd take him in a heartbeat; I just think he's a little on the quiet side. We may have to push him to be more confident if he makes it through.

Abinta: I'm surprised you say that about Siva because he really came alive for me. He burned through the case and even handled a few curveballs I made up on the spot to push him. He was a lot more creative than I expected. We also had time to talk a little about the start-up he was involved in before he came to school. He seemed to show a lot of leadership. Amy was smart. I would just like to see her put a stake in the ground more forcefully.

Thomas: What about Jeff?

Abinta: I don't know . . . he did fine on the case, but he wasn't spectacular. I don't see him making it all the way. I thought Todd was better.

Thomas: Yeah, let's go with just two. Todd bombed my case, and Jeff was solid—but not great. Also, there's no way Lucy [Recruiting Manager] will let us bring in three from this list unless they're amazing.

Good luck to Amy and Siva. Maybe one will make it through the final round. How about Jeff? It's interesting that neither interviewer said he failed the case. He was "fine" and "solid" but not amazing. He cracked the cases but, on the continuum of performance, paled in comparison with the first two. Why? Subtle differences in the way he solved the problem and presented the solution. If he's a first-year going for a summer position, he might improve and get an offer next year.

With so few full time positions available, it doesn't make sense to send borderline candidates to see the partners; they almost never make it.

Final Calibration – Dings and Passes

Next, the interviewers meet with the recruiting team. You may have talked with this team a few times at a firm-sponsored event or when you scheduled your interview. Its members sometimes have a few favorites among the candidates, but naturally they must defer to the interviewers' final decisions.

After the last candidate is ushered to the door, everyone meets in some kind of "war room" at the hotel or recruiting center. Depending on the recruiting manager's personal style, the rooms may be plastered with flip chart pages listing the names and a few notes—or the recruiting manager might simply note everything in her master book.

The purpose of the meeting is to ensure that everyone understands who is being passed to the next round and who is not. The decisions are usually very straightforward. During one session, my partner and I wanted to pass three or four candidates to the final round and had to vigorously defend our picks. With so few full time positions available, it doesn't make sense to send borderline candidates to see the partners; they almost never make it. In general, two or (maybe) three candidates from each pair's schedule make the cut.

After giving the recruiting manager his decisions, an interviewer's final task is to call everyone on the "ding" list and break the bad news. The interview process moves very quickly on most campuses (especially for summer positions), so students can expect a call the evening of the day they interviewed.

The two interview partners usually split the ding list according to which partner gave each candidate the lower ranking. They use this method because it's easier to ding someone who melted down on your case. Think of how awkward it would be to say, "Honestly, John, I liked you, but the other interviewer thought you choked. Hey, good luck on the rest of your interviews."

Ding Calls and Feedback

Unfortunately, in my years of interviewing I never got to make the happy calls. Our office policy was to streamline all interaction with the candidate through the recruiting staff. They made all of the congratulatory calls and booked the next round of interviews; this approach reduced the number of missed calls and scheduling complications. After the candidates heard the good news, we (the interviewers) were allowed to call and congratulate them.

If you are tempted to think that interviewers enjoy making ding calls, think again. It is painful to disappoint someone's hope of working for your firm, no matter how wildly unsuited for the job he is. We managed the conversation like this:

Consultant: Hello, this is Joe Consultant from the Firm. Is Nancy available?

Nancy: Hi, Joe, this is Nancy. How are you?

Consultant: Fine, thanks. *Unfortunately, Nancy [this is the key word in the conversation, letting them know right away that it's bad news], we will not be passing you on to the next round.*

Nancy: *[Awkward silence]*. Oh, um, as you can imagine, I'm disappointed. Is there any feedback you could give me on my performance?

Ah, yes, the feedback question. This is the moment a candidate believes will be magical. Everyone, from the career services staff to the firms' own recruiting people, recommends asking your interviewer for feedback. After all, this is a real live interviewer. This person saw you perform under actual stress. Surely the feedback will be incredibly insightful.

I hate to disappoint you again. The sad truth is that the interviewer probably doesn't have time to go into the details. You're probably one of six calls he is making that night. Or worse, he doesn't really remember the specifics about your case performance. A dozen mediocre cases tend to run together.

Unless the interviewer has perfect notes and a mental picture of each candidate, he isn't sure whether the person on the other line is the one who said random things at the wrong time, or if she's the one who had a really weak hypothesis. It would be incredibly mean to tell someone he failed the Pizza Test, or that her habit of rocking back and forth as she talked drove you up the wall. So the feedback will almost always be focused on the case.

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Here are some vague refrains along with a good follow-up question for digging out the useful information:

❑ **You could have structured the problem better**

- Take this one at face value. Most people fail the case because they don't know how to attack the problem or how to structure the analysis.
- Try to pull out some more meaningful feedback by asking one question (there probably won't be time for more). For example: "Was there a part of the case that I missed due to my structure?"

❑ **I didn't really see the depth of thinking I was seeking**

- You can classify this one as a framework problem. You may have appeared shallow because you didn't drill down to enough detail or open enough "doors."
- Try asking the following: "Does a specific part of the case where I could have gone deeper come to mind?"

❑ **I think you lost your focus about halfway through the case**

- This statement is the vaguest of the vague. It could mean anything from going down a tangent to being distracted by the interviewer's curveball question.
- Ask: "Where should I have taken the analysis and discussion?"

You may be surprised at one time or another (let's face it, you will get ding calls) by the interviewer's concern for you. If she is willing to provide specific feedback, milk it for all it's worth. Her insights far outweigh anything your practice partners tell you. Drill down with specific questions about your analysis, your framework, your communication style, your logic and your solution. One of the best ways to improve is, when possible, to gather specific feedback from your real case interviews.

If (the interviewer) is willing to provide specific feedback, milk it for all it's worth. Her insights far outweigh anything your practice partners tell you.

Other Behind-the-Scenes Questions

Timing – Should I Interview in the AM or PM?

Honestly, timing doesn't matter that much. What's most important is when *you're* at your best. If you are most alert in the morning, then by all means take an a.m. slot. If you need the morning hours to gather your thoughts, then shoot for the afternoon slots. It is more important to feel confident in your ability to perform than to try to game the system.

There are too many variables to control, like what time the “superstar” candidate is on (hopefully that person is you) or what mood your interviewer will be in after he gets an angry voicemail from a client. That said, a few time slots are riskier than others:

❖8:00 AM	High Risk. Interviewer may be running late or still waking up.
❖8:30 AM	Mild Risk. Still waking up.
❖9-11:30 AM	PRIME ZONE. Awake and full of caffeine.
❖11:30 PM	High Risk. Your interviewer is thinking about lunch and sending voicemails.
❖1:00 PM	Mild Risk. She may be less focused due to post-lunch low blood sugar.
❖1:30 PM	Mild Risk. See above..
❖1:30 – 4:00	PRIME ZONE. Awake and full of caffeine again.
❖Last Slot	High Risk. He is wrapping up, probably rushed, and may have picked a favorite already.

Are there really quotas or limits for the number of new hires?

Yes and no. If each schedule has four or five “rock stars” (amazing candidates), the firm has a problem. When I was in business school, I attended a presentation given by a top-tier strategy firm. The presenting partner told the crowd of hopeful candidates that his firm wanted to hire a lot more people, but just couldn’t find enough candidates who met their standards. That comment didn’t sit well with the audience and didn’t make sense to me, either. I thought, “Here is a crowd of about 500 Wharton MBA students, and he’s telling us that they can’t find enough good people? What a joke.”

With so many cases to crack, the quota takes care of itself; it is rare for firms to turn away great candidates.

Now that I’ve been on the other side of the situation, I can understand what he meant (although it was still a poorly-timed and arrogant comment). With so many cases to crack, the quota takes care of itself; it is rare for firms to turn away great candidates. There *are* times when the selection is tighter than normal: perhaps extra offers were extended at another school, or chargeable hours in the office are down. In those situations, it is easy to narrow the field by adding a few more curveballs to the cases or being pickier about non-case elements like presentation and pedigree.

Scores, GPA, Work Experience and Undergrad Degree. Does it really matter?

Once you make the interview schedule, these other factors should no longer matter. The only time I've seen a candidate's scores evaluated, the person in question was an undergraduate. She was a borderline choice in the final round and had a 1360 SAT, while all of the other candidates' scores were in the 1400s and 1500s. Since undergrads at Bain perform a good deal of heavy analytical work, a few interviewers were concerned about whether she could handle it—so they checked her scores. As for MBA candidates: scores and grades never came up. Once you meet an acceptable threshold, firms weight the case interviews over all else.

Once you meet an acceptable threshold, firms weight the case interviews over all else.

In terms of *securing* an interview slot, scores, GPA, work experience and your undergraduate degree are everything. Here are a few things that get noticed:

- GMAT score over 700 (This is fairly common now, thanks to prep courses and obsessive studying.)
- Ivy League undergrad and/or other top tier programs (Snobby, but true.)
- GPA of at least 3.8 (The tougher the school, the better.)
- Engineers
- Consulting experience (Some firms disdain systems and operations work.)
- Investment banking (You've proven you can put in the hours.)
- Business unit or product line responsibility
- Very significant non-business achievement (like sports, music or academics)
- Living abroad and speaking a foreign language
- The "I'd like to meet you" factor (e.g. Ford model, writer for MTV, or the President's limo driver.)
- Past residency in a particular city (For example, the Dallas office likes people who have lived in Dallas.)

No candidate has all of the above, but do your best to highlight your strongest features. Some resumes contain so much junk that the best parts become lost in the review process. Most resumes get a ten-second review at most; only the most salient features stand out. The consultants assigned to review resumes basically have carte blanche in their decision-making: some scan the cover letters for a few unique factors; others focus only on past residency in the city of choice; still others like to bring in ex-consultants. This practice varies widely by office.

If you don't find yourself on the interview list, you should call the recruiting coordinator and plead your case. No firm wants to lose a top candidate to a competitor. If you have secured interviews with the competition, let the firm know. All you have to do is introduce yourself, remind them of your strong desire to work for them, and then bring up your problem: you have interviews with all of the firms except them. They usually try to find a slot for you.

What if I'm waitlisted?

If you are waitlisted, it's time to go face-to-face. But before you do anything, remember to be nice, nice and nice again. If you anger one of the recruiting team (full time recruiters as well as on-campus reps), it's all over: let's just say that you will remain waitlisted. With that in mind, try to meet with any of the firm's reps on campus—or, at least, call one of them. Again, remind him or her of your incredible desire to work for the firm and of the problem that you face—an interview with everyone but them. (*"I'm confused by this."*) Cancellations do occur, and openings are made for those who connect well enough.

Though it seems arbitrary, some decisions come down to simple human connection. Some people just stand out in your mind, and others don't. No recruiting team member wants to keep a hot candidate out of the firm, though. If you can build enough rapport with one of them, you'll get your slot.

As for being treated like a second-class candidate, don't worry about it. Your interviewers are unlikely to know that you made the list at the last minute. You'll have as fair a shot as anyone else.

In fact, I know a man who wasn't on the original interview list with a certain firm. He called the recruiting team and squeaked into a last-minute slot, and then went on to fill one of the firm's few summer associate positions. He later became a manager with the firm. That, of course, is my story. Persistence definitely pays off.

Part 4

Perfect Preparation

Crack the Case:
How to Conquer Your Case Interviews



Chapter 7

Wrong Turns and Dead Ends

“If there is a wrong way to do something, then someone will do it.”

- Murphy's Law

It's time to start preparing for your case interviews. You want to work for a top firm, but there are fewer slots than ever. Everyone else is gunning for the same jobs. What do you do first? Before you speed down one path or another, let me alert you to a few potential wrong turns and dead ends. In this chapter I will discuss the three most common mistakes that waste your time and build the wrong skills.

Mistake #1: Study Only by Yourself

Preparing on your own for the interview is a must. However, self-study alone is not sufficient. You must practice with a partner who will give you honest feedback. Studying with a buddy allows you to hear yourself talk through a case. With a partner, you can also practice basic interview elements like a solid handshake, good eye contact and making small talk.

Most people go awry when they practice alone because they mistakenly believe that *reading about* cases will help them *solve* cases. It's not quite that simple. Think about the last mystery or suspense novel you read. (Or think of a movie if you don't read fiction.) Did you get to the end of the story and realize that you pegged the wrong person as the murderer? When the plot revealed the real perpetrator, it suddenly made perfect sense. The light bulbs went on. You saw connections and clues that you had missed along the way. But let's not forget one basic fact: you failed to solve the mystery. You picked the wrong person. Although you thought you were close to the answer, you still got it wrong.

Solving case problems by yourself is similar. You read through the problem, try to solve it on your own for a while, and then flip to the answer page. Many times you discover your answers are completely different from the case guide's. As you read through the solution, you say to yourself, "Of course it was the labor issue" or "I knew price was the driver of the problem." It's easy to delude yourself into thinking you did OK, when in reality you bombed it.

I'm not saying there is only one right answer to every case. Your solution may be just as valid as the practice case's solution. But without another person there to listen to you, how do you know if your analysis was logical and data-driven? How do you know if your communication style was effective? Can you really evaluate yourself accurately? Unfortunately not.

Without another set of eyes and ears to give you this necessary feedback, your self-study sessions will be your undoing. Use self-study for building your skill base. Review the building blocks of business. Become familiar with how to frame a problem. Practicing saying your answers out loud. But don't use self-study as your primary preparation tool.

Without another set of eyes and ears to give you this necessary feedback, your self-study sessions will be your undoing.

Mistake #2: Boil the Ocean

Some of you out there are studying machines. You know who you are. Your friends probably call you a grind and constantly pester you to ease up a little. No matter how huge the workload, you can always tough it out with long hours of study. Memorize twenty Italian verbs and all their conjugations for tomorrow's quiz? *No problem!* Read three Harvard Business School cases and pull together your insights in an afternoon? *No problem!* Despite incredible pressure, you almost always succeed with flying colors. Naturally, you plan to approach case preparation the same way. "Why not just memorize everything?" you ask. "There can only be so many case types and so many case questions and so many frameworks. If I just cram everything into my head, surely I'll do well."

Consultants like to call this approach "boiling the ocean." It means learning everything there is to know instead of targeting your efforts on a few key areas. To the few who are gifted with photographic memories: get out the flash cards and go for it! For the rest of us, there are several problems with this approach. First, you are relying on your memory to withstand the nervousness that inevitably accompanies an interview. Second, you must recall exactly the right piece of information at just the right time. Third, you jeopardize your ability to view the problem in its larger context. That is, reliance on lists of memorized material can obscure the big picture and turn your focus on discrete bits of data and isolated issues.

Mistake #3: Avoid Honest Feedback

Feedback and consulting go hand in hand. Consultants at the top firms get feedback on almost everything they do. I was shocked when, as a new consultant, I received feedback and “input” on just about everything from presenting new data to teammates, to meeting clients for the first time. I once worked for a manager who chewed me out for giving a client a document with some minor specks left by the copier. If you want to work in consulting, get used to giving and receiving feedback. A lot of feedback.

Feedback that recommends no action or lacks honesty (or “teeth”) is worthless.

Being open to feedback is just the first step. How do you know whether the feedback is thoughtful and valuable? Feedback that recommends no action or lacks honesty (or “teeth”) is worthless. Actually, it is worse than worthless, because overly rosy feedback can convince you that you’re more prepared than you really are.

There are two common problems with feedback given by study partners.

It’s Not Actionable

Flawed feedback sounds something like this:

“I like the way you ask questions,” or
“You had a pretty good structure,” or
“You did a good job of responding to my redirection.”

These comments sound like they are providing you with valuable insights, but they are not. It does little to help you understand specifically what you are doing well (or not well). Even when the feedback is negative, it can be too general, and therefore not actionable. For instance, if your buddy said to you, “I feel like the pace of the interview was off,” or “We never really connected,” how would you change your style in the future? With the former comment, you are left wondering if you should speed up or slow down. With the latter, you’re not sure if you should have made more small talk, asked more questions during the case, or tried to elicit more conversation. Neither comment gives you an action plan.

It’s Not Honest

Study partners tend to be overly positive when it comes to giving feedback. Who wants to hurt a friend’s feelings? Even if you don’t know the interviewee well, giving honest feedback can be a little painful. We all want people to like us. Telling the truth doesn’t always endear us to others.

But let’s face it: most of us stink when we try to do cases. It’s hard to get started, the problem is unfamiliar, and we sound like a know-it-all when we hear ourselves speak. The whole thing is very awkward.

When you are doing a mock interview with someone and they really flub, how honest are you? There's the standard platitude: "This one was tough." Or the step-on-egg-shells suggestion: "You may want to develop a framework sooner." Or the general affirmation: "I like the way you drill down with questions – you should continue to do more of that." It is difficult to improve when you get feedback that doesn't paint an honest picture.

Wouldn't it be great to hear this instead?

"You are talking too fast; it makes you seem nervous."

"The way you sit makes you look lazy. You were slumped in the back of your chair the entire interview."

"Your framework was illogical. I got lost when you brought in the discussion on pricing."

"You asked questions about the organizational structure when the important issue was declining revenue."

Well, you might not think it "great" to receive feedback like this. But these comments are certainly more specific and more actionable than the platitudes we usually tell each other. Ask your study partners to be brutally honest. When you get your first offer, you will thank them all the way to the bank.

Next Steps

Now that you know what NOT to do, Chapter 8 will show you how to put together an effective study plan to prepare you for your case interviews.

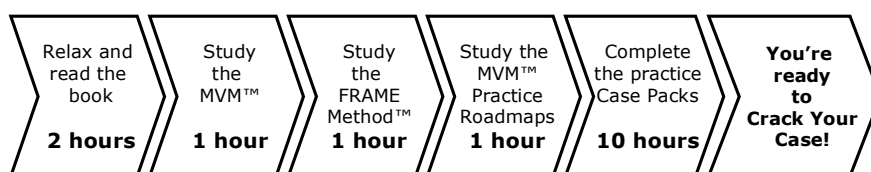
Chapter 8

Build Your Base in 15 Hours

“One word sums up the responsibility of any vice president, and that one word is ‘to be prepared’.”
- Dan Quayle

It's time to buckle down and study. In this chapter, I have outlined a simple plan you can follow to master the art of cracking tough cases. This chapter also contains ten MVM™ Practice Roadmaps which show you how to solve the most common business cases. If you follow this study plan and then complete the Chapter 9 case packs with a partner, you will be ready to handle the real thing. Let's get started.

15 Hour Study Plan



Relax and Read the Book

“Relax?” you’re thinking, “I can’t relax, I have to get ready!” If you’re this anxious about the big day, then relaxing is exactly what you need to do. You will be able to absorb these new concepts much more rapidly if you are calm. Also, you will realize how much you already know and your confidence will rise. Don’t worry about the interviews at this point.

Study the MVM™

You have read the book and are now familiar with the MVM™. Now you need to cement the concepts in your mind and practice discussing them. Do this by reading through the supporting text for each value lever (Chapter 3) and thinking carefully about how you would describe each lever. Keep in mind that interviewers today are looking for a healthy dose of common sense and everyday language. Don't allow too much unnecessary jargon to creep into your conversation. Take the concepts in Chapter 3 and put them in your own words. Practice speaking about these topics out loud, as this will help you to gauge how fluid you sound.

Keep in mind that interviewers today are looking for a healthy dose of common sense and everyday language. Don't allow too much unnecessary jargon to creep into your conversation.

Study the FRAME Method™

The FRAME Method™ lends structure to your interview, and keeps the discussion moving forward in a logical manner. The most important concept to practice is hypotheses- and assertion-creation. You may find this step to be difficult at first. As you practice, you'll become faster at creating a hypothesis, and more succinct in explaining it. Every time you plot your course through the MVM™, you'll learn new connection points between value levers. By being thoroughly familiar with the FRAME Method™, you will avoid losing your way during the discussion, or worse, freezing-up at the crucial moment.

Study the MVM™ Practice Roadmaps

Certain types of cases are more popular with interviewers than others. To get you up to speed quickly, I have created ten *MVM™ Practice Roadmaps* for the most common case topics. Use these roadmaps to build your knowledge base, and to practice creating hypotheses and assertions. Again, the purpose of these Practice Roadmaps is not memorization. The purpose is to help you become familiar with the various paths you can take through the MVM™. If you feel you must memorize something, learn the zone where each type of case begins. This information is included in the chart on the next page.

Complete the Practice Case Packs

You are now ready for the case packs in Chapter 9. Before you begin, enlist the help of a few people who are willing to invest their time practicing the cases with you. You have done enough self-study up to now, so I recommend you save the case packs for mock interviews.

MVM™ Practice Roadmaps

Use the following roadmaps to reinforce your knowledge of the MVM™. Listed below are some of the most common case questions and a good place to begin the case within the MVM™. In the following pages you will find a detailed approach to cracking each one of these case types. Keep in mind that the MVM™ allows you the flexibility to begin a case wherever you want. Real cases will be slightly different from these basic problems. Your goal is to learn how to move from one topic to the next smoothly and logically.

Zone 1, Strategy

Practice Roadmap 1	Merge, Acquire, Joint Venture	Expand Scope
Practice Roadmap 2	Growth Strategy	Expand Scope
Practice Roadmap 3	New Business or Product	Change Direction
Practice Roadmap 4	Enter a New Geography or Market	Change Direction

Zone 2, Operations

Practice Roadmap 5	Maximize Profit	Revenue and Cost
Practice Roadmap 6	Change Price	Price

Zone 3, Organization

Practice Roadmap 7	Streamline a Process	Processes
Practice Roadmap 8	Restructure the Team	People

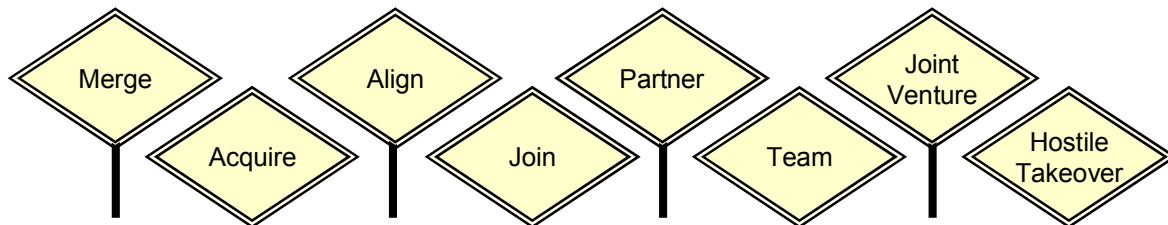
Zone 5, External Forces

Practice Roadmap 9	Competitor Attack	Competitors
Practice Roadmap 10	Market Shift	Industry, Technology, Suppliers

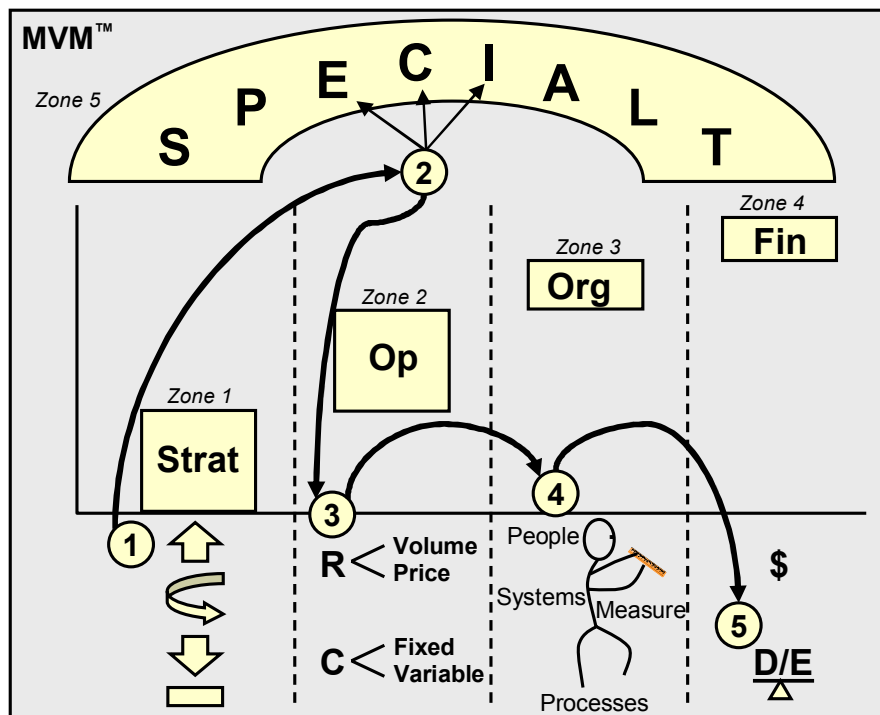
Merge, Acquire, Joint Venture

- “ABC Co. and XYZ Co. are merging, help me think through the major issues.”
- “My client is thinking about acquiring a competitor. Tell me if it’s a good idea.”
- “It seems that a joint venture would really help us grab more market share. Do you think that’s a good approach and who should we pursue?”

Question Signposts



Form a Plan



MVM™ Roadmap

There's a lot to discuss with an expansion case.

1. Strategy – expand scope
2. Economy – environment right for this?
Competitors – are they responding?
Industry – is this common right now?
3. Operations – how big are new sales?
4. People – how will we handle integration?
5. Finance – how will we finance this?

Begin with a Plan

“Since this situation will have a significant impact on our business, I’d like to review several areas. Understanding a few more macro issues like the industry and how competitors are responding will be important. Internal operations and the organization will be critical too, as we increase sales and integrate systems and people. If we have time I’d like to also move into the financing of the deal. Do you have a preference for where we begin?”

Merge, Acquire, Joint Venture

Read Your Audience

Look for:

- **Boredom** – you may go down the wrong path and talk too long.
- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

A basic approach will be a “good idea” or “bad idea” hypothesis. The bottom row here shows some variations on that theme:

Merging is a good idea and will be net positive in terms of market share and sales.

Merging is a bad idea. There will be minimal synergies between the two entities.

This acquisition will expand the company’s reach and product offerings.

This acquisition will leave the company heavily leveraged and may be a drain on human capital.

This JV will successfully combine diverse skills and areas of technical expertise.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

Sales

- To what degree will they increase?
- How will customers respond to the merger (jv or acquisition)?
- What do we stand to lose as a result of this action?

Organization

- How will our two organizations work together?
- Where are the potential biggest problems in bringing them together?
- Are there any deal breakers?

Costs

- Are there cost categories that will decrease immediately?
- To what degree can we reduce them?
- Will we risk our business with these cuts?

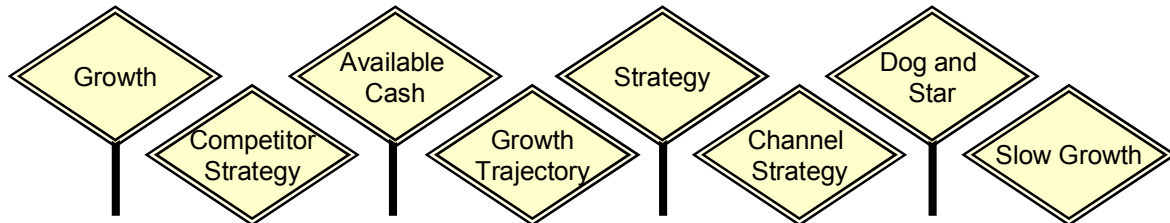
End the Case

- Be prepared to give a go, no go decision.
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion.
- Deals involve egos so don’t forget about the strong human desire to make the deal happen.

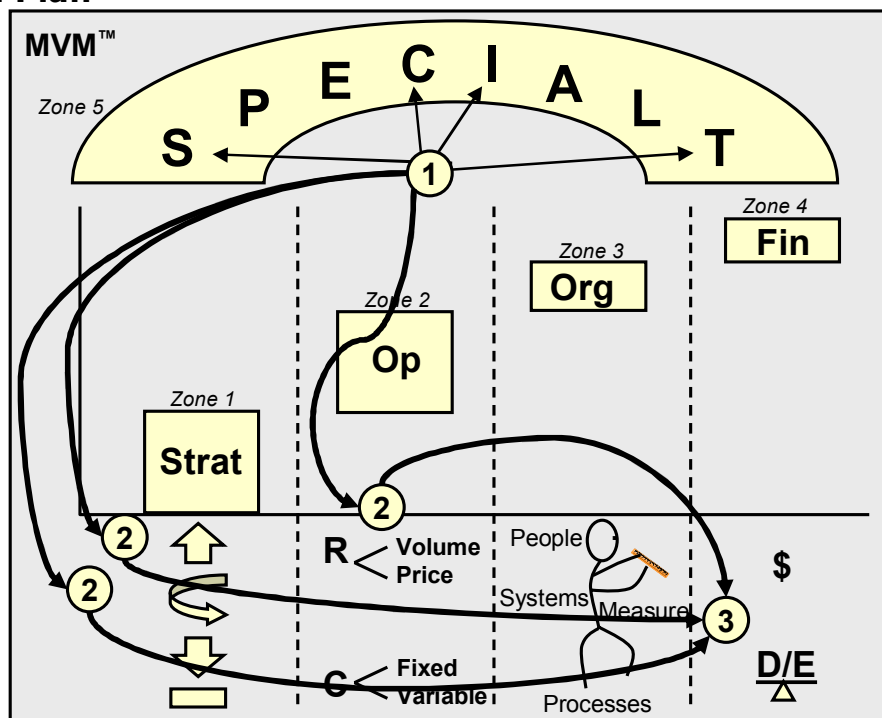
Growth Strategy

- “Axlo’s divisional strategy has been weak and they are looking for help. Two divisions are in desperate need of a growth strategy. What would you develop for them?”
- “XYZ is looking to boost growth in their Japan subsidiary. How would you assess where growth opportunities are?”

Question Signposts



Form a Plan



MVM™ Roadmap

Look for connections to revenue and costs.

- 1. External Forces** – Assess the state of the industry and where growth opportunities may be. Are competitors changing their strategies? Has the industry landscape changed? Are there any legislative consequences that are being introduced? How do we fit into this scene?
- 2. Assess Growth Options** – Change directions through new products, new marketing or a new focus. Push volume through more channels. Grab share through acquisitions. Estimate the value of each option.
- 3. Review funding and cash flow** - Ensure feasibility of growth strategy by checking sources of funds.

Begin with a Plan

“To best handle this shift in the industry I would like to understand exactly how the change will impact our bottom line. I would first like to start reviewing the entire set of external forces that are impacting us. Next I would like to connect the forces to specific revenue streams and cost elements. In this manner we can more precisely see how we will be impacted. In the end we may find that there are some strategic opportunities for us as a company either to expand through joint venture or acquisition.”

Growth Strategy

Read Your Audience

Look for:

- **Boredom** – you may go down the wrong path and talk too long.
- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

Here are some possible hunches:

Division X can increase profit next year through strategic growth (e.g. market segmentation, niche opportunities for existing products.)

Axlo’s core business is becoming obsolete. They will not grow without significant innovation.

Division X should be divested. The company’s resources are better spent on other thriving divisions.

XYZ should consider acquiring Company Y to gain access to its new technology.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

Segmentation/Niche Opportunities Exist

- How big is our market?
- What’s our market share? What niches exist that we do not cover today?
- Can our product line work in this space?

Gain Market Share

- Is Company Y for sale?
- Why are they selling?
- How would their product line fit into ours? What level of return do we expect over what time period.

Innovation

- Can we adopt newer technologies?
- Do we have R&D people who can develop new/better products?

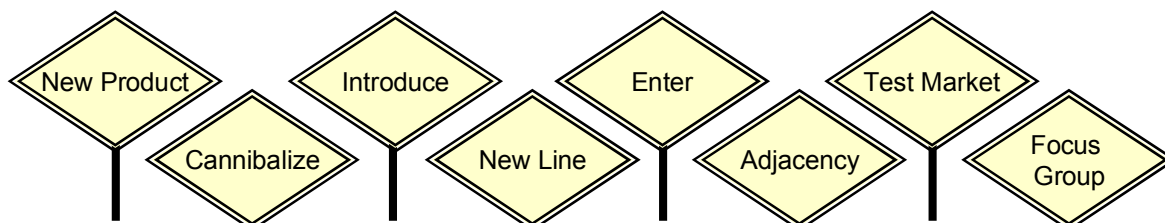
End the Case

- Be prepared to offer up a specific growth strategy and support it.
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion.
- Deals involve egos so don’t forget about the strong human desire to make the deal happen.

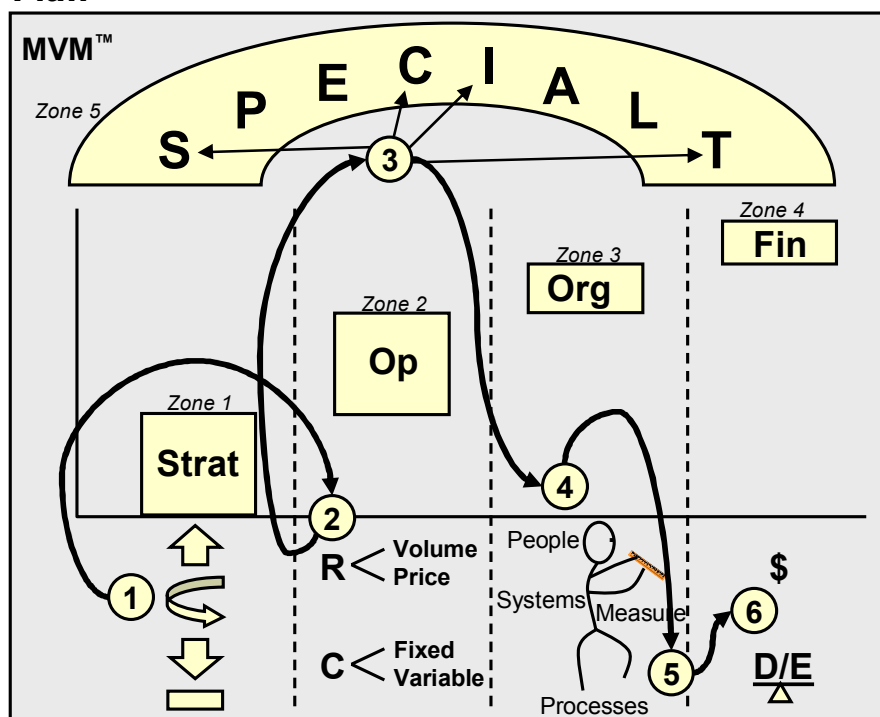
New Business or Product

- “My client is interested in launching a new product internationally, what would you do?”
- “Our client Paper Paper, Inc. wants to get into “post it” type notes, how would you assess if this is a good idea?”
- “Tubby Tubs wants to launch a new two person tub, what do you think?”

Question Signposts



Form a Plan



MVM™ Roadmap

This is a full blown tour of the model.

1. Strategy – change direction, new product
2. Volume – how much demand is there? Price – how much can we charge? Volume – What do we need to do to build it?
3. Suppliers – any raw material problems? Competitors – does our product compare? Industry – barriers to our new product? Patents? Technology – how does this help us?
4. People – Do we have the right people?
5. Processes – How will we distribute this product?
6. Finance – how will we finance this?

Begin with a Plan

“This client would like to introduce a new product so my initial thoughts are around demand and pricing. Basically, do customers want this item? I would also like to explore external Forces like competitors and the industry landscape as well as internal issues like our team, distribution and financing. Do you have a preference of where we begin?”

New Business or Product

Read Your Audience

Look for:

- **Boredom** – you may go down the wrong path and talk too long.
- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

In this type of case, the bottom line is a red light or green light.

Introducing this product is a good idea and it will succeed.

The company should not put its resources behind this new product. It will not succeed.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

Demand

- Do we have evidence that people want this product?
- Can we estimate demand? How about price?
- Where do we see demand to be highest?

Product/ Competitors

- What is unique about our product? From our other products?
- How will competitors respond?
- What is the balance between market expansion and taking share?

Internal Support

- Is the team in place? Do we have a strong leader?
- How will we sell and distribute the product?
- Is our financing in place?

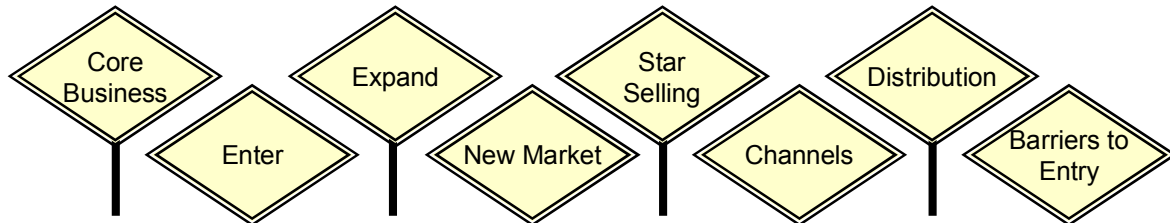
End the Case

- Be prepared to give a go, no go decision.
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion.
- Remember, expanding the business will require resources in terms of money and people’s time. Count the costs carefully across all aspects of the organization.

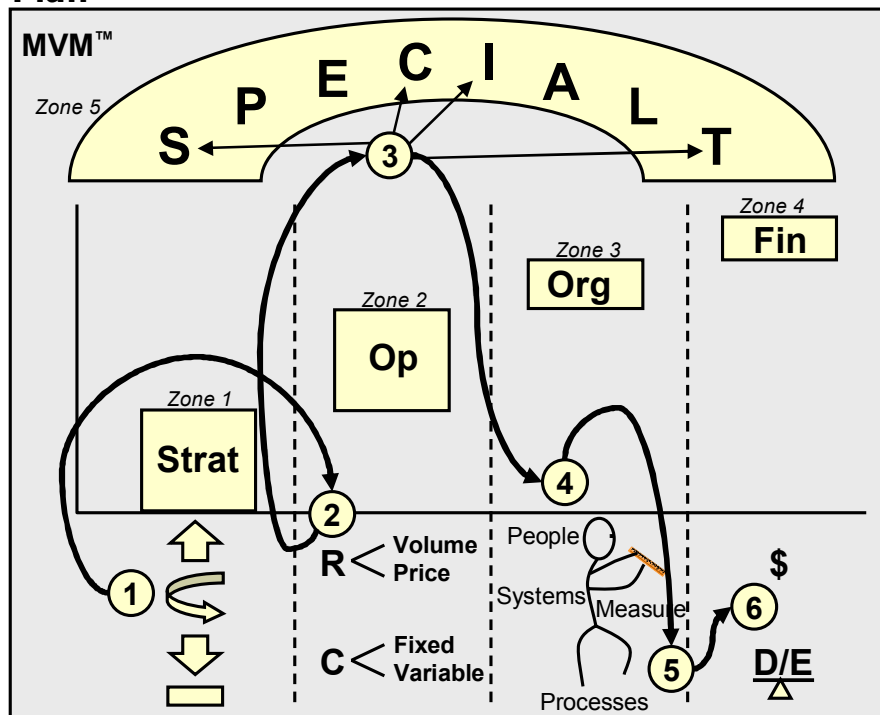
Enter A New Geography or Market

- “My client wants to start selling their product line in Asia. Is that a good idea?”
- “ABC Co. is ready to open seven new retail locations in Texas. What kind of issues do you think they’ll face?”
- “I have a construction company client that wants to begin opening restaurants. How would you advise them?”

Question Signposts



Form a Plan



MVM™ Roadmap

Similar path to introducing a new product.

1. **Strategy, Change Direction** – Our client is starting something in a new location.
2. **Operations** – What’s demand? What can we charge? How do we build awareness?
3. **External Forces** – Will suppliers have enough raw materials? How does our product compare to the competitors? How does our market share compare? Barriers to this industry in our new countries?
4. **People** – How good are our people?
5. **Distribution** – How will we distribute?
6. **Financing** – What will happen with the company’s debt/ equity?

Begin with a Plan

“Our goal is to enter a new country so I want to determine which countries offer the best revenue and ease of entry. Issues like suppliers, competitor response and industry barriers will be important. Time permitting, I also would like to discuss internal support issues like our team, marketing, distribution and financing. Before I go down this path, does management have any specific goals for our team? For instance, the number of countries or revenue or profit targets?”

Enter A New Geography or Market

Read Your Audience

Look for:

- **Boredom** – you may go down the wrong path and talk too long.
- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

In addition to the fallback, “go/ no go” approach, here are some more specific hunches:

The Asian marketplace will be receptive to this product line.

The competitor landscape will determine the success/failure of the new retail stores.

Without domain experience, the construction company should not open restaurants.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

Demand

- Do we have evidence that people want this product?
- Can we estimate demand? How about price?
- Where do we see demand to be highest?

Product/ Competitors

- What is unique about our product? From our other products?
- How will competitors respond?
- What is the balance between market expansion and taking share?

Internal Support

- Is the team in place? Do we have a strong leader?
- How will we sell and distribute the product?
- Is our financing in place?

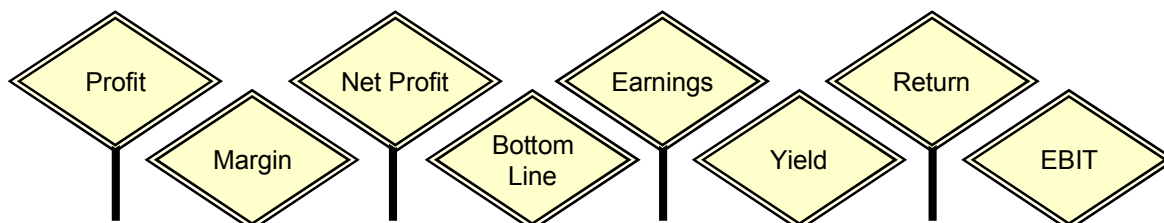
End the Case

- Be prepared to give a go, no go decision.
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion.
- Do not underestimate the hidden challenges with a new country or market that your team may not understand.

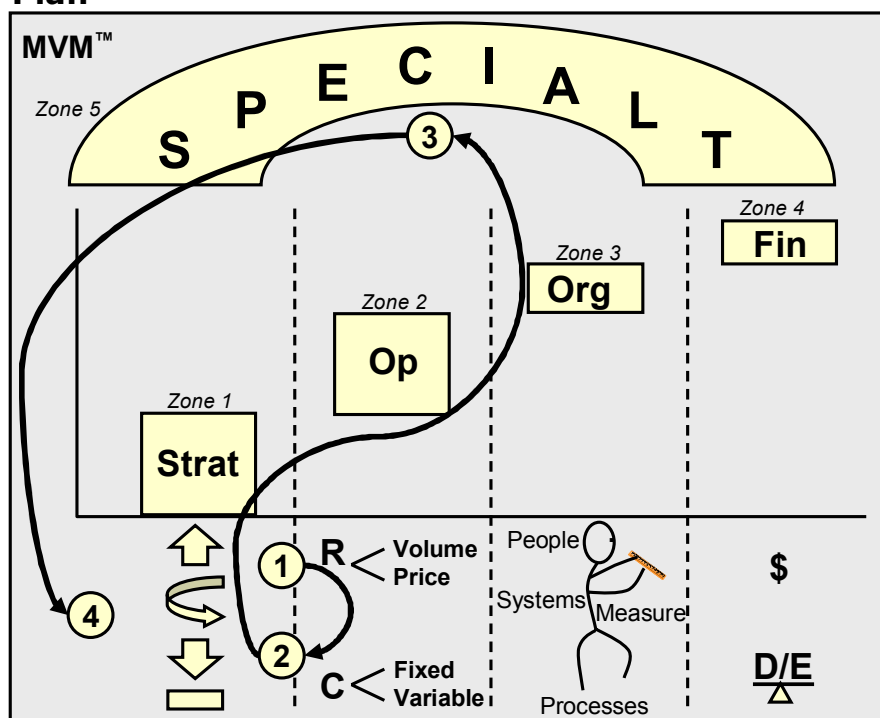
Maximize Profit (increase revenue, reduce costs)

- “The San Francisco Opera is losing money. Tell me why.”
- “My client is looking for ways to increase revenue in hopes of increasing profit. I think that reducing costs is the only way to impact profit in this case. Can you break the tie?”
- “External investors are trying to make my client as profitable as possible so they can sell them off. What would you suggest they do?”

Question Signposts



Form a Plan



MVM™ Roadmap

Look for additional layers in a basic profit case.

- Revenue**— how do we make money (break it down across product, geography)? What's are market share? How have we been trying to increase revenue (price, volume, new stuff)?
- Costs** – How have the main cost categories performed over time? What portion is fixed vs. variable? How do we compare with benchmarks? Is outsourcing an option?
- External Issues** – How do we compare to competitors on revenue and costs?
- Strategy** – Are there any significant actions we need to take to increase revenue and reduce costs? What is the best mix of V, P and C?

Begin with a Plan

“We are trying to maximize profit so I would like to spend most of my time focused on the operations of the business. It will first be important to understand how we make money and whether or not volume or price can be increased. There will be a trade-off between the two. Secondly, costs also may be reduced to maximize the profit. Lastly, I would like to review how competitors are performing and whether or not there is some kind of strategic action we need to take to increase profit. I would like to start with revenue unless you prefer we begin elsewhere.”

Maximize Profit (increase revenue, reduce costs)

Read Your Audience

Look for:

- **Boredom** – you may go down the wrong path and talk too long.
- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

In a profit maximization case, keep in mind price elasticity, the competitor landscape, and market share and size.

Profit can be maximized by cutting costs.

Profit can be maximized by increasing volume.

Profit can be maximized by raising prices modestly.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

Volume Has Decreased

- What has volume been over time?
- What are the reasons for the decrease?
- What percent of customers were impacted by the sales force restructuring?

Prices Will Stay Constant

- How have prices changed over time?
- Why have they stayed constant over time?
- With no one making a price change, what risks do we encounter if we make changes?

Additional Volume Exists

- Are there niches or markets where we undersell?
- Do we have the skills to reach these customers?
- How long will it take for us to mobilize and begin selling?

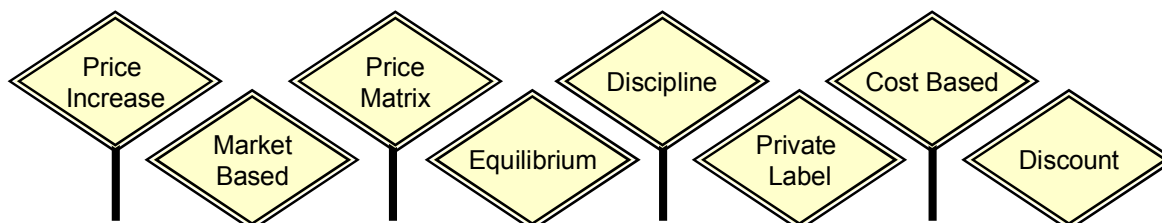
End the Case

- Answer the main question directly, “I would increase profit by . . . “
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion.
- Profit maximization cases tend to seem basic but have several layers you’ll need to tie together.

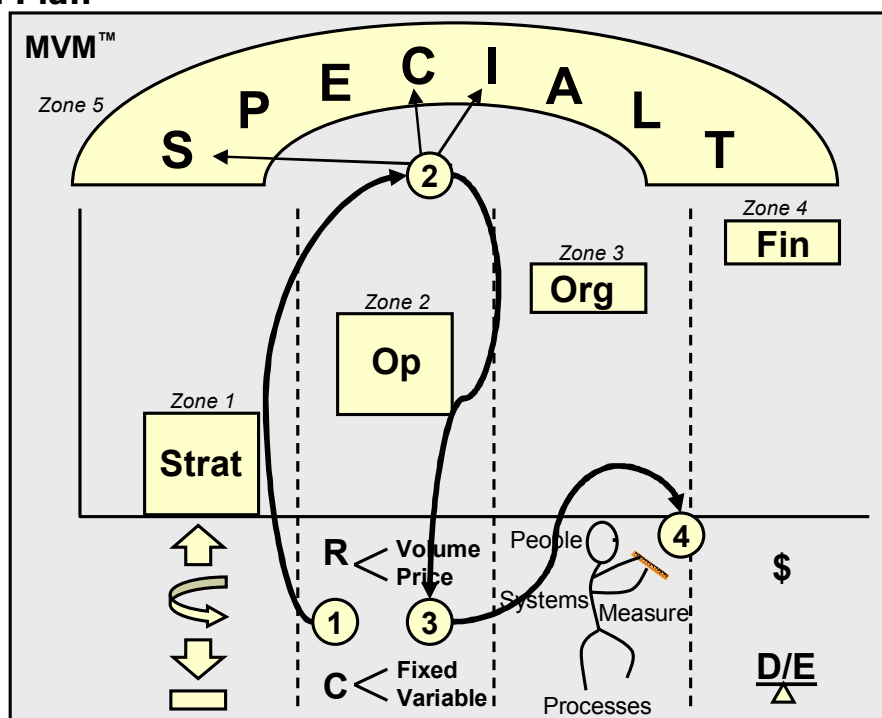
Change Price

- “We’d like to put together a new pricing strategy for my client. Where should we start?”
- “Company XYZ is complaining about their transfer prices being too high and the fact that they lose out on too many bids. How would you get to the bottom of this problem?”
- “How would we determine if there is an opportunity to increase price at my client?”

Question Signposts



Form a Plan



MVM™ Roadmap

Tracking the changes is critical to understand impact.

- 1. Price** – how do we price our product today? Is it based on costs or the market? What is our pricing trend line? How have customers responded (volume) when price changes?
- 2. External Forces** – How are competitors pricing? How do our prices compare to the industry overall? Are supplier actions affecting our pricing?
- 3. Price** – How should we change our pricing going forward? What will this do to volume?
- 4. Measure** – What will we do to track prices going forward?

Begin with a Plan

“To set prices at a level that is both competitive and advantageous to our client, we’ll need to review both internal practices and external Forces. Internally, I would like to understand our pricing basis, either cost or market driven, and how it has changed over time. Externally, I want to explore the market pressure from competitors, the industry and suppliers that may be affecting our prices. With these facts in place, we can determine how to set and measure them going forward.”

Change Price

Read Your Audience

Look for:

- **Boredom** – you may go down the wrong path and talk too long.
- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

It is easy to have a belief about what to do with prices. Be sure to back up yours with data from the case:

We can raise price and gain the full value of the price increase.

There is no price elasticity in our industry. If we raise prices, volume will fall.

Our current pricing strategy (cost plus margin) is inappropriate, as our product is perceived as “premium.”

Our transfer pricing model shifts too much profit to offshore subsidiaries.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

Present price is too low

- When was the last time we performed a price increase?
- How have competitors been pricing?
- What percent lower is our price for comparable product?

Customers Are Not Sensitive

- What happened to sales volume when we raised prices?
- What evidence do we have that competitors have had the same experience?
- At what price do they become sensitive?

Volume May Increase

- What happened to Competitor Y’s volume after raising price on their line?
- Are there other reasons for their success?
- Will we experience the same effect?

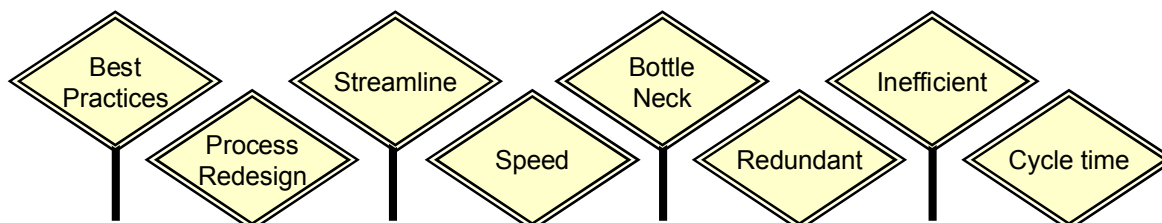
End the Case

- Answer yes or no to the price increase and give a range as to how much if yes.
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion. Try to show profit and volume trade-off.
- Pricing cases tend to have a simple solution at the core but become complex quickly when applied to large product lines or several markets.

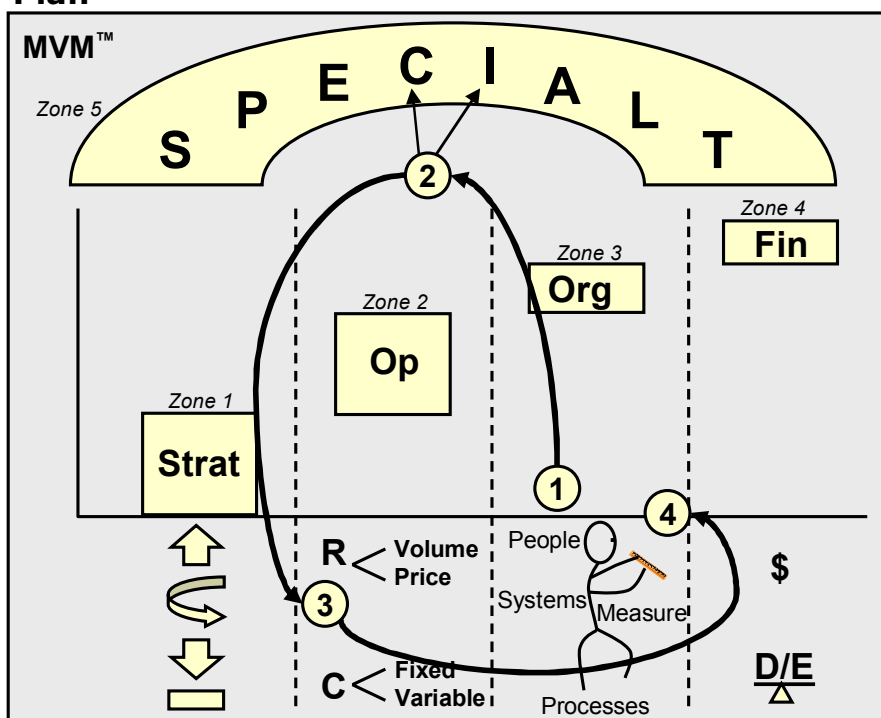
Streamline a Process

- “My client’s order to cash process is 50% slower than their competitors. How would you go about tearing apart this process?”
- “Quill and Co. would like you to review their back office processes to determine where we can generate the most value. Where would you start?”

Question Signposts



Form a Plan



MVM™ Roadmap

Look for connections to revenue and costs.

- 1. Organization** – How is the process being used today? How long does it take? How consistent is the output? This process vs. other internal ones?
- 2. Competitors/ Industry** – What can we learn from external benchmarks? What is the gap between us and competitors? Industry standard vs. us?
- 3. Revenue/ Cost** – Which step in the process are the most value added, in terms of reducing costs and increasing revenue? How do we affect those first?
- 4. Measurement** –How do we quantify/track the value?

Begin with a Plan

“Our goal with this process redesign should be to focus on what will increase our bottom line. To do that I would like to understand its present state and how its performance is affecting the company; in other words, cost out how much delays and ineffectiveness costs us as a company. Collecting the data to understand this would give us insights on how to fix the process. After putting in a new approach I would measure its effectiveness.”

Streamline a Process

Read Your Audience

Look for:

- **Boredom** – you may go down the wrong path and talk too long.
- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

Process improvement cases are among the hardest to form a hypothesis. Think of the core areas of Zone 3 – Organization: People, Systems, Measurement, and Processes

Streamlining the Order-to-Cash process will reduce costs and increase revenue.

New IT systems will improve speed and quality.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

Process is Broken

- What problems have we seen with the process?
- How have these processes hurt the bottom line?
- What are the worst parts of the process?

Wait Times Will Shorten

- What are the wait times today?
- What portions of the process will change?
- What is the expected wait time after the process is complete?

Customers will Return

- How many customers left due to the slow OTC process?
- How many of them were satisfied with other aspects of our service?
- What % are estimated to return?

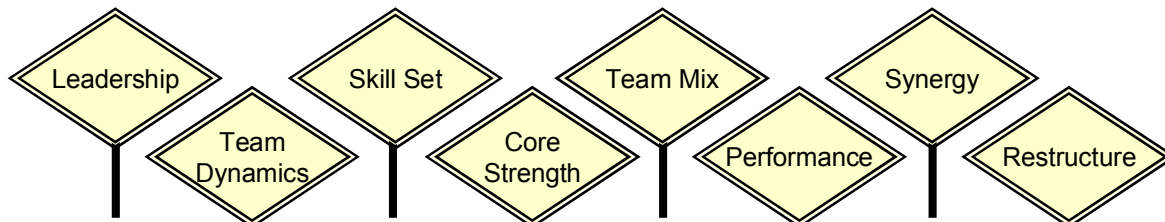
End the Case

- Give a recommendation for how the new process will work and what the savings will be.
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion.
- Process improvement cases can be strategic if you tie them to the value levers.

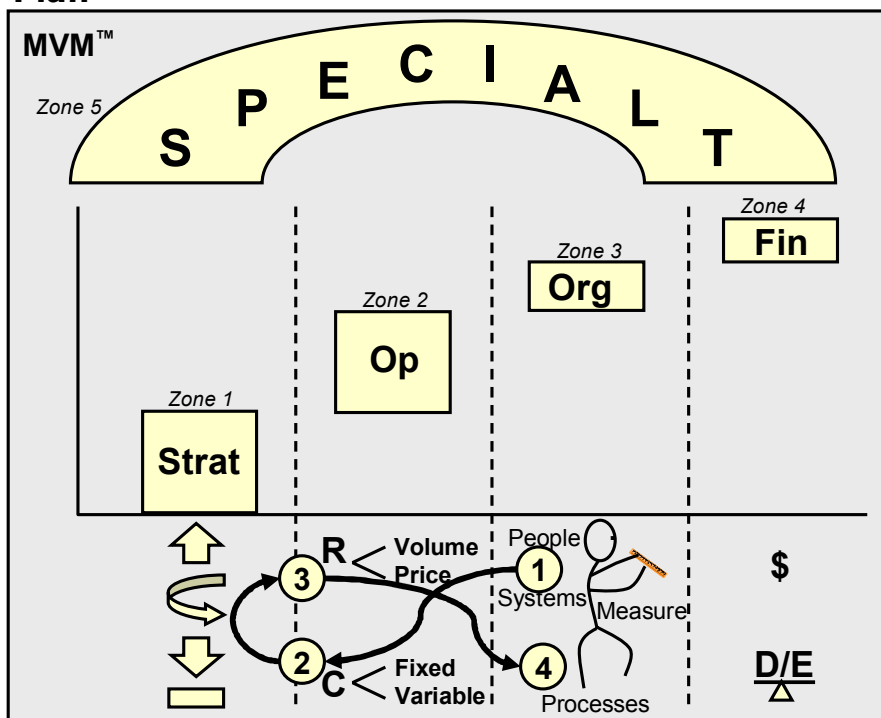
Restructure the Team

- “My client’s management team is extremely weak. The Board would like to wipe out 3 of the 5 key players. What are the implications?”
- “How would you approach restructuring the Finance and Accounting functions of my client?”
- “How should we think about assembling the right team to take this product to Europe?”

Question Signposts



Form a Plan



MVM™ Roadmap

Look for connections to revenue and costs.

1. **People** – What is the organization in question? How big is it and should we change it?
2. **Costs** – What are the costs associated with the team? What are current costs? How will they change as we restructure?
3. **Revenue** – What do we need to have this team increase the revenue line? Bottom line?
4. **Processes** – How do people work together today? Are these processes effective or should they be changed as well?

Begin with a Plan

“Our goal is to make this team more effective so I need to understand the fact base first. After reviewing a snapshot of their size, role and cost today I would like to think about our goals for them and how much it will cost to upgrade the skill set. Additionally, the way that this improved team will interact with the organization is going to change. All of their day to day work processes needs to be created with the bottom line in mind.”

Restructure the Team

Read Your Audience

Look for:

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- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

Here are some possible hunches:

Improving our management team may result in a revenue increase, and it will not increase costs.

Too many layers of personnel in finance/accounting are slowing down processes and resulting in duplicative workstreams.

A successful product launch team requires people with experience in the marketplace, both geographically and with the industry.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

Overpaying for Team

- How much are we paying today?
- How does this compare to the market place?
- Where can we cut costs and still maintain or improve the skill sets?

Internal Results

- Where are there problems between our team and other internal groups?
- How does that need to change going forward?
- What do we need to do first?

Potential Revenue Increase

- How many customers left due to the slow OTC process?
- How many of them were satisfied with other aspects of our service?
- What % are estimated to return?

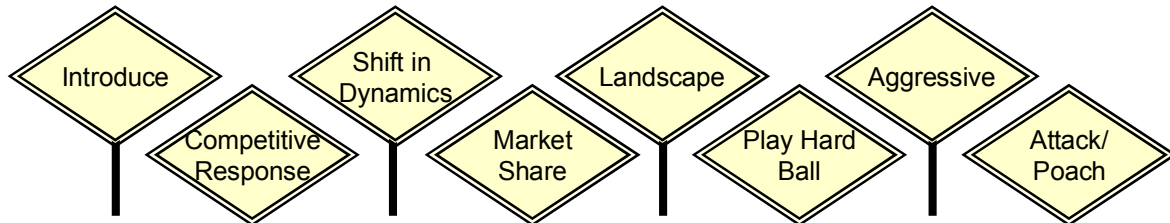
End the Case

- Give specifics about how you would change the team and how it could impact the bottom line.
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion.
- People are everything in terms of making the business concept work so do not get distracted from the bottom line when trying to restructure the organization.

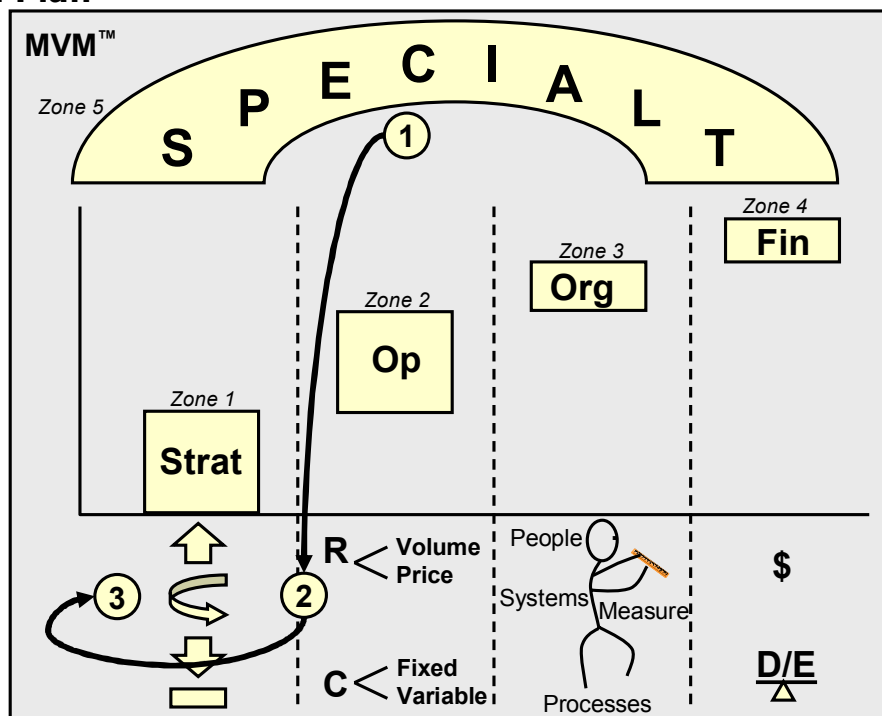
Competitor Attack

- “Amco just got dealt a terrible blow – their main competitor lowered prices 15% across the board because of a new deal with their main suppliers. What would you do?”
- “My client is worried that their competition is developing a new line of technology that will make our products obsolete. How would you figure out what’s going on?”
- “Spiffy Stuff’s new clothing line is leaving us in the dust. How do we respond?”

Question Signposts



Form a Plan



MVM™ Roadmap

Use common sense to figure out what’s going on.

- 1. Competitor** – What has changed recently in their behavior? What are the bottom line results (for them) of their change? How would we describe their new products or services?
- 2. Revenue and Cost** – What has been the impact to our revenue and cost?
- 3. Strategy, Change Direction** – What kind of action do we need to take to respond? Should we introduce a new product? Change our pricing? Match their changes? Look for talent?

Begin with a Plan

“XYZ appears to be coming on strong with their new product line, but I also want to understand if there is more depth to this threat. They may have built some new relationships with suppliers or retailers that we cannot see. I also want clearly understand the impact on our revenue and costs and separate out anything that is not related to the effect. With this clear picture in place we can determine our next steps.”

Competitor Attack

Read Your Audience

Look for:

- **Boredom** – you may go down the wrong path and talk too long.
- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

Make sure your initial hypothesis is where you think the value is.

Competitor threats seem strong. We need to defend our market share aggressively.

We can respond to this threat with a better product line and stop the revenue decline.

We need to change our product line to keep up with the competition.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

New Products Ready

- What is the technology that our competitor is offering?
- Can we match it?
- Of the products that are in our pipeline, how soon can we get them out?

Other Forces Hit Revenue

- What else is happening in the industry?
- Are these new entrants offering the same products?
- Even though their quality is lower, are they taking revenue?

Innovation Is Sustainable

- After we launch these new products, do we have other ones?
- Will our output of new products match the competitors?
- How long can we sustain this innovation?

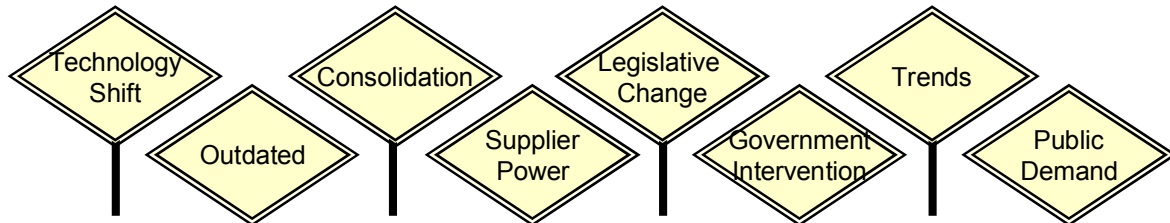
End the Case

- Respond to a competitor threat with a specific plan. Outline savings, new revenue opportunities and “stop the bleeding” plans.
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion.
- This is a common case so practice several scenarios within the MVM™.

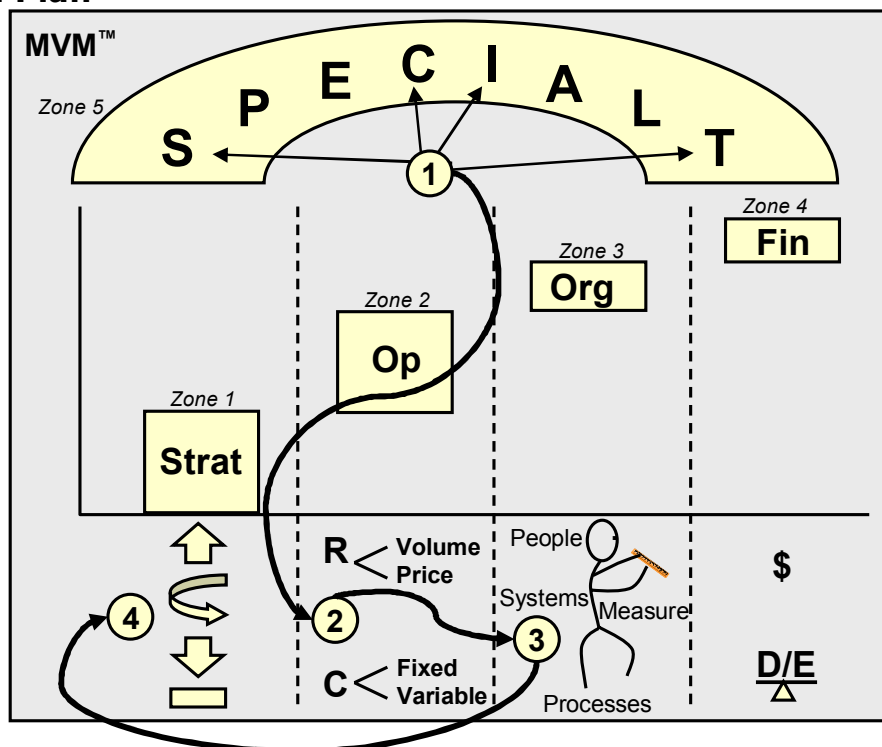
Market Shift (industry, technology, suppliers)

- “My client makes a data storage device that may be outdated in the next 6 months. What should we do if our technology gets “leap-frogged” by a competitor?”
- “ABC Company’s industry is going through massive change. There are consolidations happening everywhere. How should we advise them?”

Question Signposts



Form a Plan



MVM™ Roadmap

Look for connections to revenue and costs.

- 1. External Forces** – What is the shift that is taking place? How are the changes going to impact our bottom line (e.g. make a product obsolete).
- 2. Revenue and Costs** – What specific revenue streams and cost elements are being affected. What options do we have to protect these levers?
- 3. Organization** – Are there systems or people changes we can make to combat or diminish the negative impact of the shift.
- 4. Strategy** – How can we gain from this situation?

Begin with a Plan

“To best handle this shift in the industry I would like to understand exactly how the change will impact our bottom line. I would first like to start reviewing the entire set of external forces that are impacting us. Next I would like to connect the forces to specific revenue streams and cost elements. In this manner we can more precisely see how we will be impacted. In the end we may find that there are some strategic opportunities for us as a company either to expand through joint venture or to perform and acquisition.”

Market Shift (industry, technology, suppliers)

Read Your Audience

Look for:

- **Boredom** – you may go down the wrong path and talk too long.
- **Agitation** – interviewer may want to move you to another area.
- **Interest** – may want to see you go deep in one area.

Listen for:

- **Curiosity** – What else would you consider? Move to your next topic.
- **Skepticism** – Why is that important (“so what”)? Explain your thinking by tying back to your hypothesis.
- **Interest** – Let’s talk about that some more.

Anchor a Hypothesis

Here are a few ideas to get you started:

We have been “leap frogged” by a technology shift and have few alternatives.

An industry shift can create new opportunities for companies that are nimble.

Mine for an Answer

Areas to explore include, but are not limited to, the following:

Obsolete Products

- Will our technology still be valued in the market?
- Is there an opportunity to use our products in a different manner?

Customer Shift

- What percent of our customers are interested in the new technology?
- How quickly will they defect?
- Is there anything we can do in the short term?

Innovation Lacking

- What technology do we have in the pipeline that can match this innovation?
- Can we acquire a smaller player to gain knowledge and build products?

End the Case

- Industry shifts can strand your client so you be ready to come up with alternatives with these cases.
- Be concise with your reasons, reflecting on your hypothesis tree and the facts you found in your discussion. Back up your new ideas with data or data you plan to get as a next step.
- Most cases should have a “can do” hypothesis but do not be afraid to paint a negative picture when the facts support it.

Chapter 9

Ten Interactive Case Packs

“Practice is the best of all instructors.”

- Publius Syrus

There is simply no substitute for practice. But as my older brother always told me, “Practice doesn’t make perfect. *Perfect* practice makes perfect.” In the spirit of his advice, I have created a set of tough cases that will hone your ability to dissect problems, drill for data, and discuss complex business issues. Your end of the bargain is to create a realistic interview setting, select a conscientious partner and seek honest feedback. Together, these elements will make your practice sessions as “perfect” as possible.

Did I mention that these cases are tough? If you’ve ever done any weight training, you know that the only way to build muscle mass is to totally exhaust your muscle tissue and then allow it to rebuild. In the same way, some of these cases (particularly the 4-star and 5-star ones) may be too difficult for you at first. Don’t worry. By working through the cases in the order I’ve presented them, you’ll build your capacity to handle more complicated business problems.

In the beginning, don’t expect to finish the cases in a the 20-25 minute timeframe of a real interview. In fact, you (and your study partner) should feel comfortable spending 30-40 minutes solving the cases. It is more important to understand the concepts in the case than to finish it quickly. Your speed will naturally increase as you practice the fundamentals of the MVM™ and the FRAME Method™.

The following are some questions and answers to help you extract the most value from your practice sessions.

Are the cases based on real companies?

All of the companies are entirely fictitious. The business problems, however, are true to life. I have made every effort to include realistic data when possible. For example, the Always Fresh case uses actual population and deodorant usage statistics. In my view, using make-believe companies provides a more level playing field for candidates. It's unlikely that many of you will have domain experience in, say, the electronic parts industry. Because you're dealing with fictitious companies, you won't be tempted to rely on tacit knowledge about Starbucks Coffee or Federal Express (to name a few popular case topics).

How does the rating (star) system work?

Every case is rated from 1 to 5 stars, depending on a few factors:

- Quantitative complexity
- Number of "zones" involved in the problem
- Estimated time to complete

I recommend starting with the easier cases first and working your way to the harder ones.

What's the best way to practice with these cases?

Without a doubt, the best way to practice is with a partner. In fact, as you work your way through the ten Case Packs, you should seek to practice with three or four *different* partners. No two interviewers will use these cases in exactly the same way, so interacting with a variety of study partners will round out your preparation.

Can I use these cases for self study?

Yes, you can. Although it is my firm belief that you will benefit most from realistic mock interview sessions, you can also use the cases while studying on your own. Pages 3-6 of each Case Pack provides a 3-step self study plan.

Here is a suggested plan for practicing solo:

Step 1: Read the case question out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.


Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer and candidate notes. Use the Candidate Self Assessment at the end of the case to rate your performance.

OK, enough talk—now go study. Good luck!

Blueblood Distribution

Known for its first class selection of wines and spirits, Blueblood is facing a decidedly low brow problem. Some of its distribution centers are not up to snuff. Can you help management bring these laggards into line?

Case Pack: 001

Difficulty (1-5): 

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 and 4 before beginning the case.

I

Pages
7 - 13

Interviewer

- **Prep time:** This case is rated 1 star in terms of difficulty and has few complexities. Expect to invest at least **5 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8)
 - Handout (p. 9-10)
 - Data Distribution (p. 11)
 - Re-routers and Heavy Lifting (p. 12)
 - Candidate's "Mine for the Answer" sheet (p. 18)
- **Giving the case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 16. Fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
14 - 20

Candidate

- **Working with an interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10-15 minutes for this case.
- **After the interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove any data handouts and place them face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with an interviewer who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

Blueblood Distribution is a \$300M, nationwide distributor of wines and spirits. Their main customers are wine and spirit retailers, major grocery stores and food-marts. Presently they own 22 distribution sites and are trying to determine what factors make some sites more profitable than others.

What metrics would you use to compare distribution sites? Which metrics would be the most insightful?

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer notes.

Candidate Notes

Math

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Interviewer Fact Sheet

Case Question

Blueblood Distribution is a \$300M, nationwide distributor of wines and spirits. Their main customers are wine and spirit retailers, major grocery stores and food-marts. Presently they own 22 distribution sites and are trying to determine what factors make some sites more profitable than others. What metrics would you use to compare distribution sites? Which metrics would be the most insightful?

A Few Tips from David

- This case is designed as a warm-up for future tough ones. Your job here is to help the Candidate explore her own ideas fully before looking at the slide.
- On a practical note, these are the most critical metrics for many distribution facilities. This data should be helpful for similar cases in the future.

Intro Facts

(Tell the Candidate if Asked)

- **Ownership** – Each location is “owned” by the Regional VP, a company employee with incentive compensation consisting of 75% from regional performance and 25% from overall corporate performance. An additional bonus is available to the top 5 performing regions.
- **Sales force** – Each distribution site is responsible for generating sales near the site with grocery chains, restaurants and wine and spirit retailers.
- **Regions** – There was little planning around how each region was developed; the Regional VP determined most of the regional locations according to his/her preferences.
- **Information sharing across regions** – Distribution centers are encouraged to share best practices to increase the overall performance of the company.

Key Insights

(Do Not Tell the Candidate)

Common Sense Review

This case is not complicated, but it does require the Candidate to think clearly about which metrics will have the most impact. There is not enough information to draw statistical significance between each metric and the bottom line performance, but some metrics do appear to be more important than others.

4 Key Metrics

These four metrics have the biggest impact on performance: inventory turns, limiting the number of SKU's, route density and relative market share (RMS). Sites that are the bottom performers tend to perform much worse on these. Since you start off with a discussion first, see how the Candidate's initial thoughts compare to the final answers.

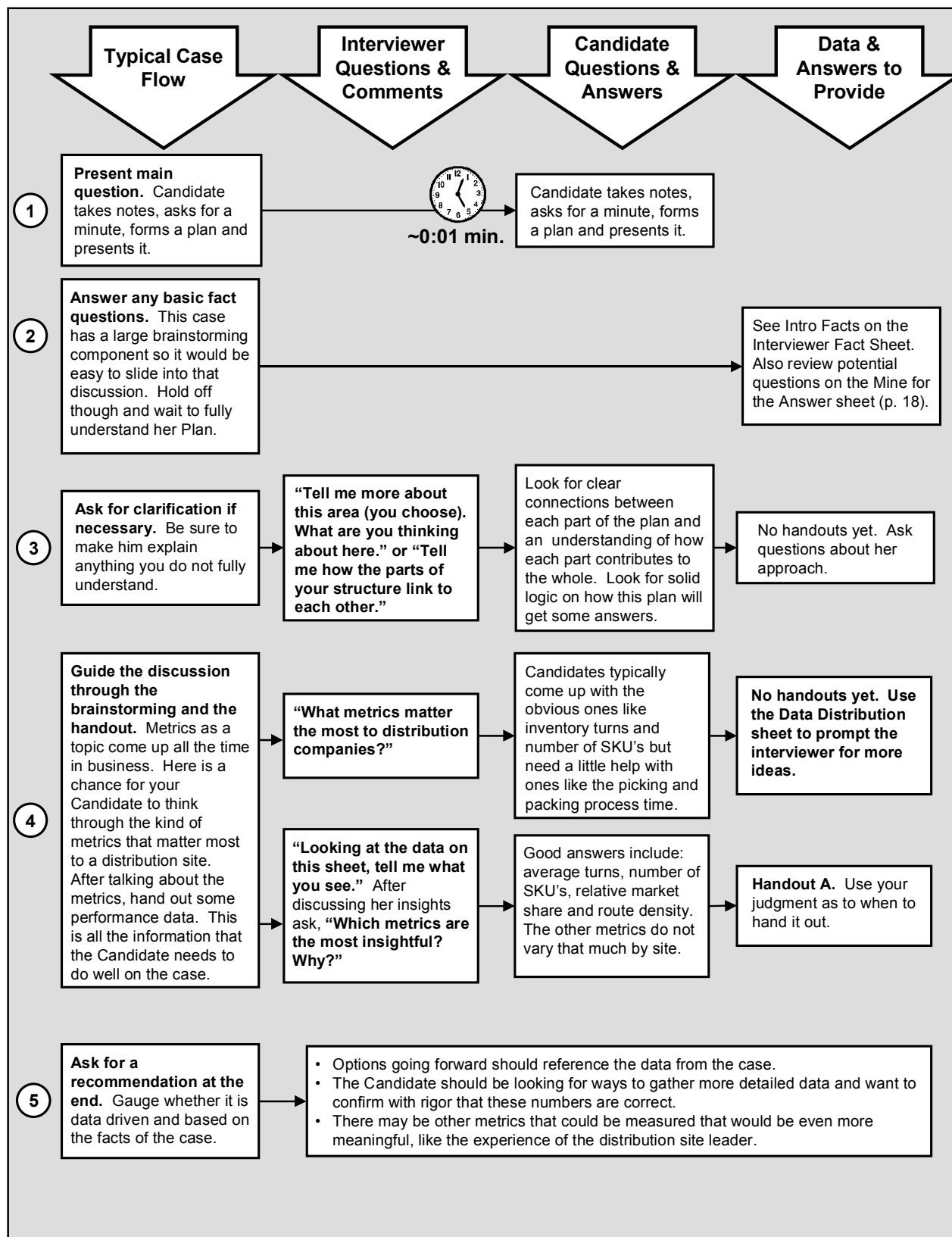
On-Track Indicators

- ✓ **Structures the discussion** – directs the conversation into relevant areas
- ✓ **Pulls out insights** – does a good job of “connecting the dots” between various topics
- ✓ **Creative** – thinks of innovative ways to collect data and measure distribution center performance

Off-Track Indicators

- ✗ **Sticks on one topic too long** – this is a wide open question that requires discussion in multiple areas
- ✗ **Avoids data** – talks a good game about metrics, but has no idea how to build them or interpret them
- ✗ **Thinks of impractical solutions** – wants to review metrics that are difficult to collect

Case at a Glance



HANDOUT A

Distribution Center Metrics

	Top Performer	Middle of the Road	Bottom Performer
Annual Revenue	\$20M	\$15M	\$11M
Average Turns	8x per year	6x per year	2x per year
Order to Pack Time	33 min.	28 min.	24 min.
Avg. Miles per Delivery	.3 miles	.5 miles	1.2 miles
Number of SKU's	2,500	3,100	6,200
RMS	1.5	1.1	.6
Route Density	32 sites/ 8 hrs	27 sites/ 8 hrs	12 sites/ 8 hrs
Personnel Costs	\$223,000	\$190,00	\$200,000

Data Distribution

Additional metrics candidate may mention. Provide data if appropriate.

First, discuss the metrics

Facilitate a discussion about metrics in a distribution facility. Ask questions about which metrics are most meaningful, and how you gather such metrics. If the candidate gets stuck, offer a few of these:

- **Receiving** – bringing shipments of wine into the warehouse quickly, safely (without breakage) and consistently
- **Picking and Packing** – minimizing the time to print an order, pick a product and pack it in a box
- **Inventory Turns** – ensuring breadth of product while “turning” popular sku’s often
- **Admin/ Accounting** – streamlining all internal processes and minimizing personnel
- **SKU Management** – keeping the number of products down
- **Sales per Customer** – trying to increase the average order size and frequency of order
- **Delivery Costs** – Minimizing the internal cost per order by building route density
- **Route Density** – Routing trucks to maximize the number of customers in the shortest distance
- **Relative Market Share** – Increasing dominance by distribution region to better control pricing. RMS = Blueblood’s market share compared to next competitor or leader. For example, if RMS = 2, BB has 2x the share of the next competitor; if RMS = .5, BB is has half the market share as the leader

Second, give Handout A (with the following metrics and data) to the candidate.

Each column reflects some portion of the 22 sites. Ask the candidate to explain which metrics appear to be the most valuable. Also ask whether his/her initial thoughts will change now that s/he has some facts.

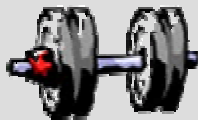
	Top Performer	Middle of the Road	Bottom Performer
Annual Revenue	\$20M	\$15M	\$11M
Average Turns	8x per year	6x per year	2x per year
Order to Pack Time	33 min.	28 min.	24 min.
Avg. Miles per Delivery	.3 miles	.5 miles	1.2 miles
Number of SKU's	2,500	3,100	6,200
RMS	1.5	1.1	.6
Route Density	32 sites/ 8 hrs	27 sites/ 8 hrs	12 sites/ 8 hrs
Personnel Costs	\$223,000	\$190,00	\$200,000

Re-routers and Heavy Lifting



Re-routers *Questions To Keep Things On Track*

- ❖ **What other metrics would you consider?**
 - Competitive intensity, measured in relative market share (RMS) is often forgotten
 - Route efficiency, measured by mileage between deliveries and number of deliveries per day
- ❖ **Of the metrics you've mentioned thus far, which one or two capture the most important drivers of the business?**
 - RMS is critical to controlling customer relationships and setting price for a region.
 - Route density and average miles per delivery are good measures of how well the sales team is selling along the routes
- ❖ **Which metrics can we gather the most easily?**



Heavy Lifting *Questions To Make the Case More Difficult*

- ❖ **If you had to eliminate 5 of the 22 sites and could only use one metric to do it, which one would you use?**
 - RMS indicates market strength, an important indicator of pricing power and relationships with customers (my choice)
 - High inventory turns indicates a focused, well chosen set of sku's
 - Route density gives insight on how costly it is to deliver to customers
- ❖ **If you had to fix a "poor performer" what would you look to do first?**
 - Streamline the sku's, pump up inventory turns, and re-route the deliveries. Changing RMS takes time and would be a medium term goal.

Interviewer Feedback

Planning & Logic

Excellent —————> **Poor**

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					You basically forgot about it

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I'd avoid you at cocktail parties
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion			You took control sometimes, but then let me drive		Adrift at sea

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			You missed some connections		You missed all the linkages between the data

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts					You seemed to solve the case from your gut
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					You couldn't even convince yourself, zero passion

Total Score:
(10-60)

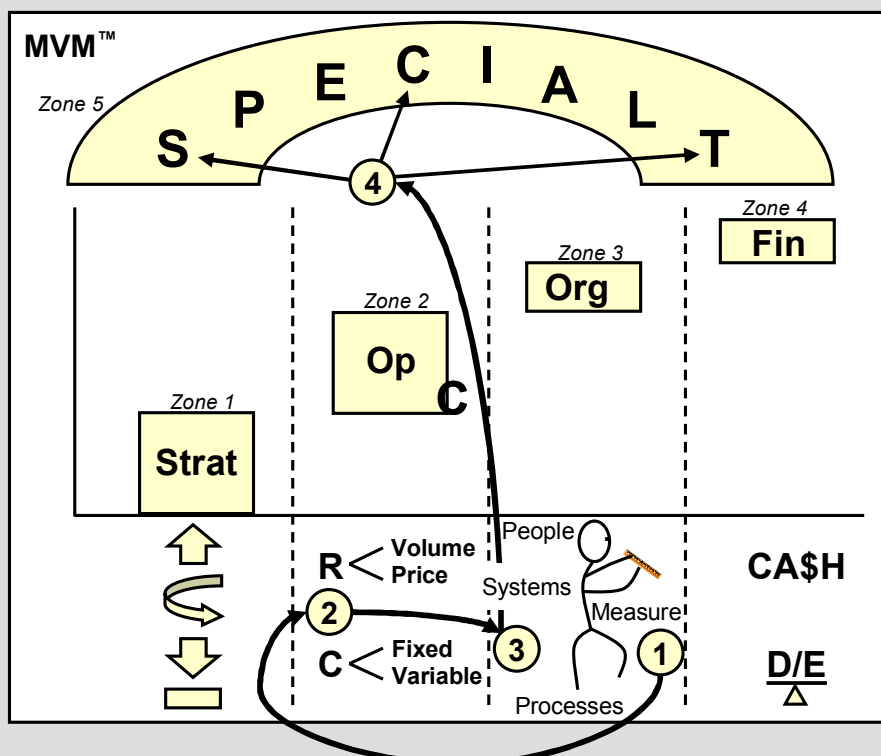
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Candidate Review Sheets

Logic Flow Using the FRAME Method™

F – Form a Plan

- This case requires a path that will cover several aspects of operating a distribution center successfully. Questions will come to mind as you consider how a distribution center functions.



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

- 1. Start with Organization, Measure.** This case is about metrics and comparing distribution sites. What kind of metrics are best for comparing several similar locations? To answer this question, you must move to other parts of the MVM™.
- 2. Move to Operations, Revenue and Cost.** Operationally, how are the locations performing? What differences do we see in how they make money and where they incur costs?
 - Volume – how fast do they turn items? Which ones turn more often?
 - Price – which products offer a premium?
 - Variable Costs – where do costs go up and down? Part-time delivery, stocking and administration?
 - Fixed Costs – who has the better lease terms on warehousing per square foot?
- 3. Move to Organization, Processes and People.** What internal functions, computer systems or personnel make one site better than another?
- 4. Finish in External Factors.** Are there any special supplier relationships? Which site has the most intense competition? Are there any innovations that separate one site from another?

Candidate Review Sheets

F - Form a Plan (cont.)**Answers, Diagrams and Behaviors****Good**

"To best compare the different distribution sites, I first would like to understand the heart of each site's operations—how they make and spend money. Once we clarify major differences there, I would like to breakdown the analysis into two parts: internal metrics, like inventory turns, stocking practices and management experience; and external ones, like competitor intensity and supplier pricing. We can dive deep on the ones that are more complex or appear to drive value. To get started, can you tell me more about how these sites generate revenue?"

(Wow! Are you sure you haven't solved a case like this before? This is a solid approach that shows you know how to attack the problem from a variety of angles.)

OK

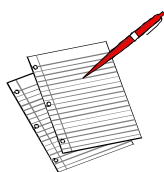
"Several metrics come to mind immediately: inventory turns, internal efficiency and efficient distribution to retailers. I think wine and spirits would be similar to most distribution sites and therefore would need to perform well on these dimensions. There might be some other, more unique aspects to distributing wine that are not immediately obvious, like limiting breakage. What are the typical turn ratios in this industry?"

(You came up with some metrics rather quickly that we can discuss, but I don't think you have created a structure for our discussion. Remember, at this stage of the interview your goal is to establish a plan for hitting important issues of the case.)

Weak

"Well, the most important metrics in distribution are inventory turns and the number of products. With wine and drinks, keeping a limited product line will be tough since there's so much variety available and differences in customer tastes. Let's start with inventory turns and see what we have there. Do you have any information about turns?"

(You seem to be simultaneously setting a course for us and solving the case. Your intro is somewhat of a hypothesis, but you leave little room to maneuver. This case is less about getting to a specific answer and more about discussing metrics. You started with two and narrowed it to one. You should keep the discussion broad at this stage.)

Self Check

Notes:

☐

MECE (Mutually Exclusive, Collectively Exhaustive)

☐

Bottom line tone

☐

Fluent, not stammering

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Candidate Review Sheets

Logic Flow Using the FRAME Method™

Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Play the Chatty Charlie or Cathy and help the candidate with the discussion. This case is designed to encourage the candidate to talk about the various aspects of running the business. The more you get him/her talking, the more you'll find out about how the candidate thinks.



Good Reactions/ Body Language:

- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- "Ready to talk" body language, sitting on the front half of the chair, eager to discuss the case

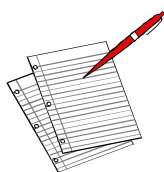
Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in getting set up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position

Self Check



Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Strong confident voice

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

Did you have any hunches here? Even though this case is about a set of metrics, it was a great test to see if you could think about the drivers of profit for a distribution site. As you work on other cases, your mental anchor (your hunch as to where the value is) and your plan should work together to help you with:

- **Logical thinking** that focuses on finding data to support your thoughts
- **Common sense** about metrics and how they can be collected and used
- **Big picture thinking** that turns the discussion back to next steps like “How do we practically find and fix the poor performers?”

**Potential Hypotheses**

Did you have any hunches here? Which metrics mattered the most in your mind? For a case like this that is a blank discussion, it is easy to get stuck. If that happens to you, bring your mind back to big topics like the ones listed below. Capturing your thoughts early in the case will help you ask good questions. You do not need to state these hunches, but definitely anchor them in your mind.

People

“The quality of the people at the sites is going to be the biggest driver of value. I’ll check into their experience, years of work at Blueblood and overall physical strength. I also want to know about the leader of the site.”

Processes

“Doing well in distribution is all about executing processes well. I want to know what the time and steps are for all the major processes: picking, packing, loading the trucks and unloading. Office activities are worth looking at as well.”

Movement

“Since distribution is about moving items inside the site and eventually to the customer, I’m going to think about all the ways I can measure product movement. In addition to processes inside our site I’ll look at the actions at the customer: driving and unloading come mind immediately.”

Self Check

Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

This is the heart of the discussion. Here are several questions you could have asked to best understand the metrics and what matters to Blueblood:

Mining Zones

Inventory Turns

- **What is the average inventory turn by site?**
 - Products (measured by case) typically turn between 7 and 9 times per month
- **What is average for the industry?**
 - Industry average for number of turns is 8
- **Which products in the warehouse turn more often?**
 - Table wines (retail <\$10) move the fastest
- **Which ones are typically slow to move?**
 - Specialty wines, rare vintages and rare hard liquors move the slowest

Delivery Costs

- **How is product delivered to the customers?**
 - Delivery is by a truck driven from the warehouse to the customer site
- **What is the average delivery cost per case of product?**
 - Cost per case is about \$12
- **What are the key components of delivery?**
 - Delivery can be broken down into packing, driving and unloading
- **Which steps in the process have the most variability in terms of cost?**
 - Packing varies by skill or experience of packers
 - Driving efficiency varies by driver and region
 - Unloading time depends on a driver's skill and experience

Competitor Intensity

- **How does a distribution site compete?**
 - Distributors try to lock up customers through promotions, new products and better delivery schedules
- **Where are Blueblood sites typically strong?**
 - Blueblood is known for its wide and deep selection of hard to find products
- **Are there national competitors or regional ones?**
 - Few national competitors exist, and in all cases the regional player acts independently
- **How do competitive pressures affect our revenue? Profit?**
 - Competitors play tough and consistently try to steal our market share

Interviewer Notes and Answers

A Logical Flow Using the FRAME Method™

E – End the Case

How did you wrap up the case? Your recommendation needed to be as concise and data driven as possible. In this case you did see some metrics that are probably more important than others. However, there is more data that you could collect and there is a need to rank the sites to help with the evaluation process. Eventually you want fix the poor performers.

For any conclusion, keep the following questions in mind:

- How would you wrap this up?
- So what's your conclusion? What did you learn that is the most insightful?
- For this case in particular: "I just got a call from the CEO, he's going to drop by in a few minutes and wants to hear your thoughts on how to fix the poor performing distribution sites."

Suggested Answers, Diagrams and Behaviors



Good Ending: "From the sample data, four metrics seem to be the most important: inventory turns, limiting the number of sku's, route density and relative market share (RMS). Our bottom performers tend to perform much worse on these. I cannot say with statistical certainty that these metrics are the drivers of performance, but they make sense. We naturally want to move volume quickly, simplify our products to the most popular and profitable, sell to customers that are close together and capture as much market share as possible. For next steps, I would like to test the full set of metric data to measure the statistical significance. Also, I would rank the sites in detail to determine which ones we should focus on first."

(I like the use of numbers to back up your answer. You are obviously ready to follow-up as well.)

OK Ending: "From the data I reviewed, it seems like the drivers of value at the sites are RMS, delivery efficiency and inventory turns. We naturally want to ensure that we are controlling the price, keeping customers' locations close, and rotate product often. I would recommend we rank all the locations on these metrics and then look more closely at the sites in the bottom third."

(Straightforward response and pretty good recommendations at the end. It would be better if you could factor in some numbers to support your answer.)

Poor Ending: "Warehouses are all about inventory turns and making sure that the major products are in stock at all times. We'll have to see which locations have slow turns and then determine how to pump up the turns in that region."

(Inventory turns is a good place to focus, but I get the impression that the case's data didn't direct you in any way. There was a lot of qualitative discussion in this case, but try to hit on the data when drawing your conclusions.)

Self Check
☐
☐

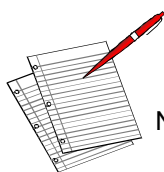
Several clear points
Persuasive

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible



Notes:

Candidate Self Assessment

Planning & Logic

	Excellent → Poor					
1. I had a plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. My plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps				Several overlaps and full of gaps	
3. I trusted my plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often				I basically forgot about it	

Communication & Composure

4. I was calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready		Off and on nervousness		Sweaty, shaky mess	
5. I carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth		Occasionally awkward		I didn't hold the interviewer's attention	
6. I drove the case.	1	2	3	4	5	6
	Clearly in control, I took the case to a conclusion		I took control sometimes		Adrift at sea	

Analytics

7. I analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors		Slow on the uptake, some math mistakes		Lots of mistakes, I didn't get the insights	
8. I integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties		I missed some connections		I missed all the linkages between the data	

Recommendation

9. My final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up my thoughts				I tried to solve the case from my gut	
10. I was persuasive in making my final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone				I couldn't even convince myself, zero passion	

Total Score:
(10-60)

Do this self assessment before asking the interviewer for feedback. How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?

Slash & Burn Investors

Tempers are flaring in NYC as the partners of Slash and Burn decide the fate of Tuttle Knox. To pay down debt, S&B must divest some of Tuttle Knox's assets. Help these sharks decide who sinks and who swims.

Case Pack: 002

Difficulty (1-5): ★ ★

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 through 6 before beginning the case.

I

Pages
7 - 14

Interviewer

- **Prep time:** This case is rated 2 stars in terms of difficulty and has few complexities. Expect to invest at least **10 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8)
 - Data Distribution and Math Zone (p. 9-10)
 - Re-routers and Heavy Lifting (p. 13)
 - Candidate's "Mine for the Answer" sheet (p. 19)
- **Giving the case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 17. Fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
15 - 22

Candidate

- **Working with an interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10 minutes for this case.
- **After the interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove any data handouts and place them face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with an interviewer who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

Slash & Burn is a New York City investment firm. Not known for being a “friendly funds” like some of their contemporaries, S&B is infamous for selling off acquired companies, or parts of companies, within 3 years of acquisition. Tuttle Knox Corp., a 2.5 year-old investment, is a hardware conglomerate designed to capture a high share of the home improvement market. TK is not doing well overall. Slash & Burn would like to reduce its debt burden by \$500M, and has decided that Tuttle Knox must sell off assets to raise the funds.

They would like you to determine which companies they should sell to raise the \$500M. Select the companies you would divest, and give your logic for your choices.

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer notes.

Candidate Notes

Math

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Interviewer Fact Sheet

Case Question: Slash & Burn is a New York City investment firm. Not known for being a “friendly fund” like some of their contemporaries, S&B is infamous for selling off acquired companies, or parts of companies, within 3 years of acquisition. Tuttle Knox Corp., a 2.5 year-old investment, is a hardware conglomerate designed to capture a high share of the home improvement market. TK is not doing well overall. Slash & Burn would like to reduce its debt burden by \$500M, and has decided that Tuttle Knox must sell off assets to raise the funds. **They would like you to determine which companies they should sell to raise the \$500M. Select the companies you would divest, and give your logic for your choices.**

A Few Tips from David

- After getting familiar with this unusual chart, the candidate should have no trouble picking some obvious dogs to divest. The true challenge is to craft a cohesive strategy around the divestitures. How do you rid yourself of these slow growth businesses in a logical manner?

Intro Facts

(Tell the Candidate if Asked)

Slash and Burn Motto: “Grow or Be Sold”

TK Customers: TK was designed to penetrate Home Depot, Lowe’s, Mennard’s as well as Ace Hardware and other national hardware chains. The strategy was to gain leverage with retailers by supplying critical product lines in several store categories.

Sales Multiples and Timing: Assume that price per asset will be one times annual revenue, and that there are buyers for all assets.

Intention: S&B wants to keep the new, smaller entity for about 2-3 more years. They are hoping to streamline TK and create a more focused business.

Tuttle Knox Management: They are deferring to the candidate’s recommendations.

Key Insights

(Do Not Tell the Candidate)

- **Low Growth Businesses:** Heavy Lawn Equipment (HLE) and Tools are the lowest growth businesses, with HLE being the lowest. These two areas are clearly the place to focus, but the real question is which companies to choose.
- **Divestiture Combinations:** There are several combinations within Heavy Lawn Equipment and Tools that will give S&B their stated goal of \$500M. The key is to put a stake in the ground on the logic that seems best (see p. 20 for details).

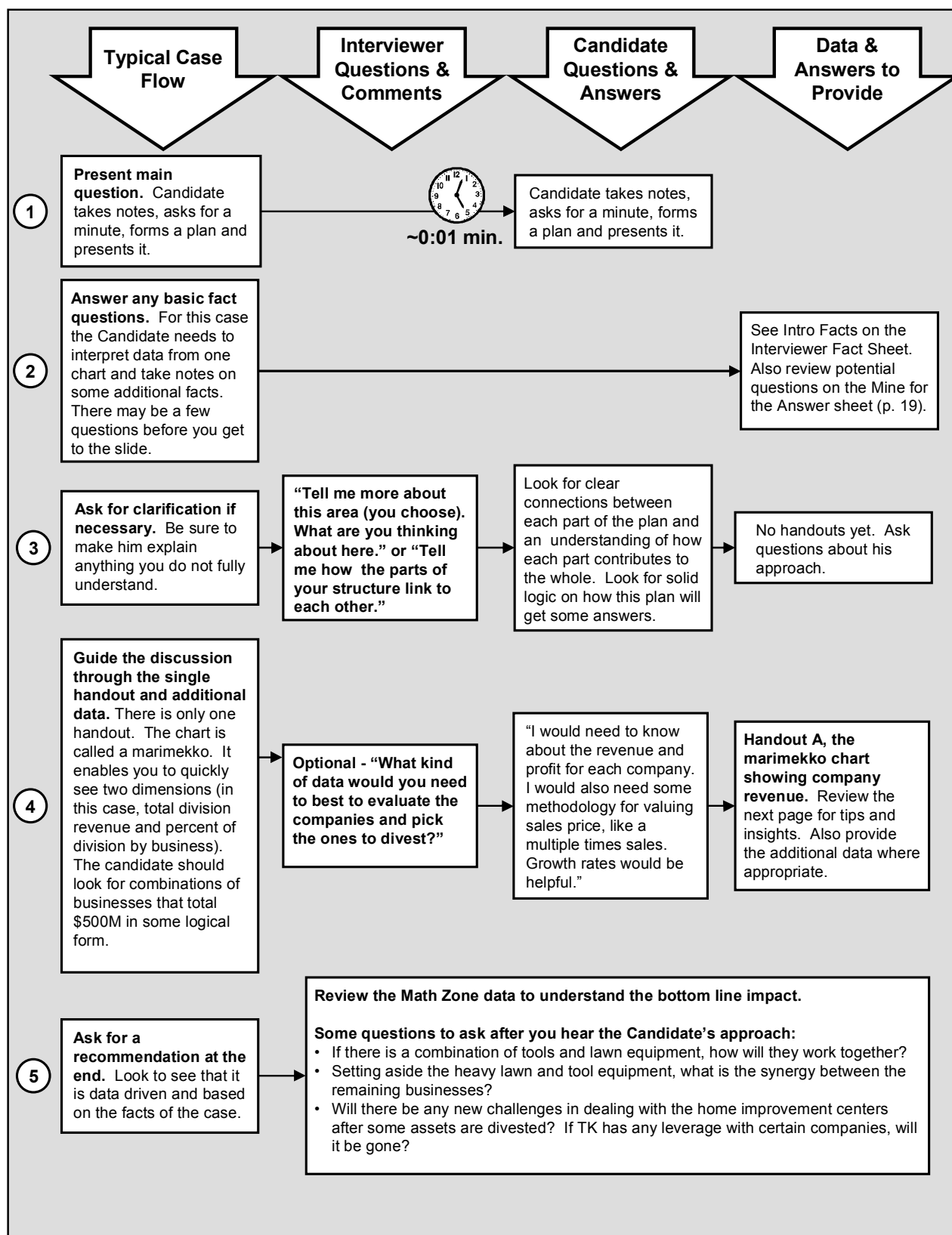
On-Track Indicators

- ✓ **Data driven** – focuses on the mekko slide and quickly determines to pursue low growth businesses as divestiture targets
- ✓ **Logical** – thinks about the ramifications of each divestiture and how it would fit into a broader company strategy
- ✓ **Flexible** – understands that for many reasons, one approach may not always work

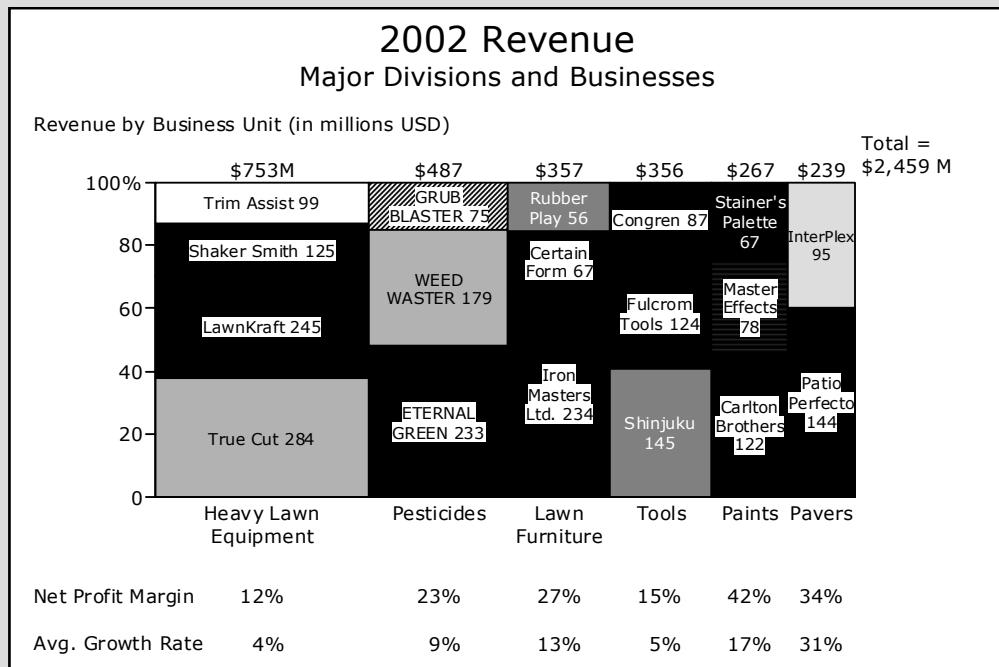
Off-Track Indicators

- ✗ **Gathers facts not data** – with so many businesses to discuss, it’s easy to become distracted
- ✗ **Too tactical** – focuses only on the combinations that give the best dollar amount, not the best strategy
- ✗ **Gets stuck on the chart** – misses the main points: biggest divisions are low growth, pay attention to profit margins

Case at a Glance



Data Distribution



Likely question from Candidate: Do you have any information on the businesses that Tuttle Knox owns?

Interviewer: "Here's a marimekko of 2002 revenue. If this chart type is new to you, just think of it as a square pie chart. The upper right corner shows the total revenue for the entire chart. The width of each column is proportional by product category (e.g. Heavy Lawn Equipment is the largest). Each block within a column represents a business. The y axis shows % of category. For example, True Cut is about 40% of Heavy Lawn Equipment."

Ask the following: Which companies would be on your short list to sell? Why?

Main insights: Two categories have significantly lower growth than the others, Heavy Lawn Equipment and Tools. Both also have low margins. The other categories of product all have healthy profit margins and growth rates, so it is safe to focus on Heavy Lawn Equipment and Tools. The next question is which ones do you eliminate?

Additional Info

- True Cut – Oldest, most prestigious line of lawn mowers. Some older technology. Loyal customers.
- LawnKraft – Second only to True Cut in terms of name and brand. Some think their quality is the best.
- Shaker Smith – Premium image. Less focused on lawn mowers; more focused on broad set of tools.
- Trim Assist – New to the mower space. Better technology, savvy marketing to hip suburbanites.
- Shinjuku – Japanese high quality tool maker. Making strong inroad into the US market.
- Fulcrum Tools – "Good Ole Boys" tool maker; strong loyalty among carpenters; slipping in quality.
- Congren – Consistently the also-ran brand. Dying a slow death as Shinjuku takes its share.

Math Zone

Recommended Approach

Narrow down the choices

- Heavy Lawn Equipment and Tools have weak profit and growth margins. They are prime areas to examine, since the other areas appear to be growing and show healthier profit margins. When choosing between the two, choose Heavy Lawn Equipment. Divesting all tools (\$356M of revenue) vs. divesting an equivalent amount in heavy equipment will result in a profit loss of $3\% \times \$356M = \$10.7M$, due to the difference in profit margins (12% vs. 15%). Divesting the low margin businesses is a key priority. To divest anything in the Tools category before Heavy Lawn Equipment would mean a loss of 3¢ for every dollar of revenue.

Look for combinations that amount to \$500M in the lawn category

What will add up to \$500M?

1. True Cut and LawnKraft	\$529
2. LawnKraft, Shaker, Trim	\$468
3. True Cut, Shaker, Trim	\$508

What's the Implication

Sticking with specialty lawn equipment only
Placing bet on True Cut, tradition and loyalty.
Placing bet on quality and making #2 into #1

Since option 2 does not quite reach \$500M, you could divest Congren (Tools) as well, which would bring the total to \$556. Slash & Burn wouldn't mind the extra cash for debt payments and it might be best to take care of all the divestitures at one time. This plan leaves TK with True Cut, the traditional lawn mower company. High share would likely be sustained for a period of time, but it is very slow growth and not very profitable.

Option 1 leave TK with two smaller specialty companies that are likely acquisition targets down the road. They could be packaged together and sold in a year or two. At that point, TK would be out of the slow growth lawn business.

Option 3 hits the target and leaves TK with one lawn company to focus on and grow. However, it is questionable whether TK will want to grow a business in the lawn care field.

Feedback



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

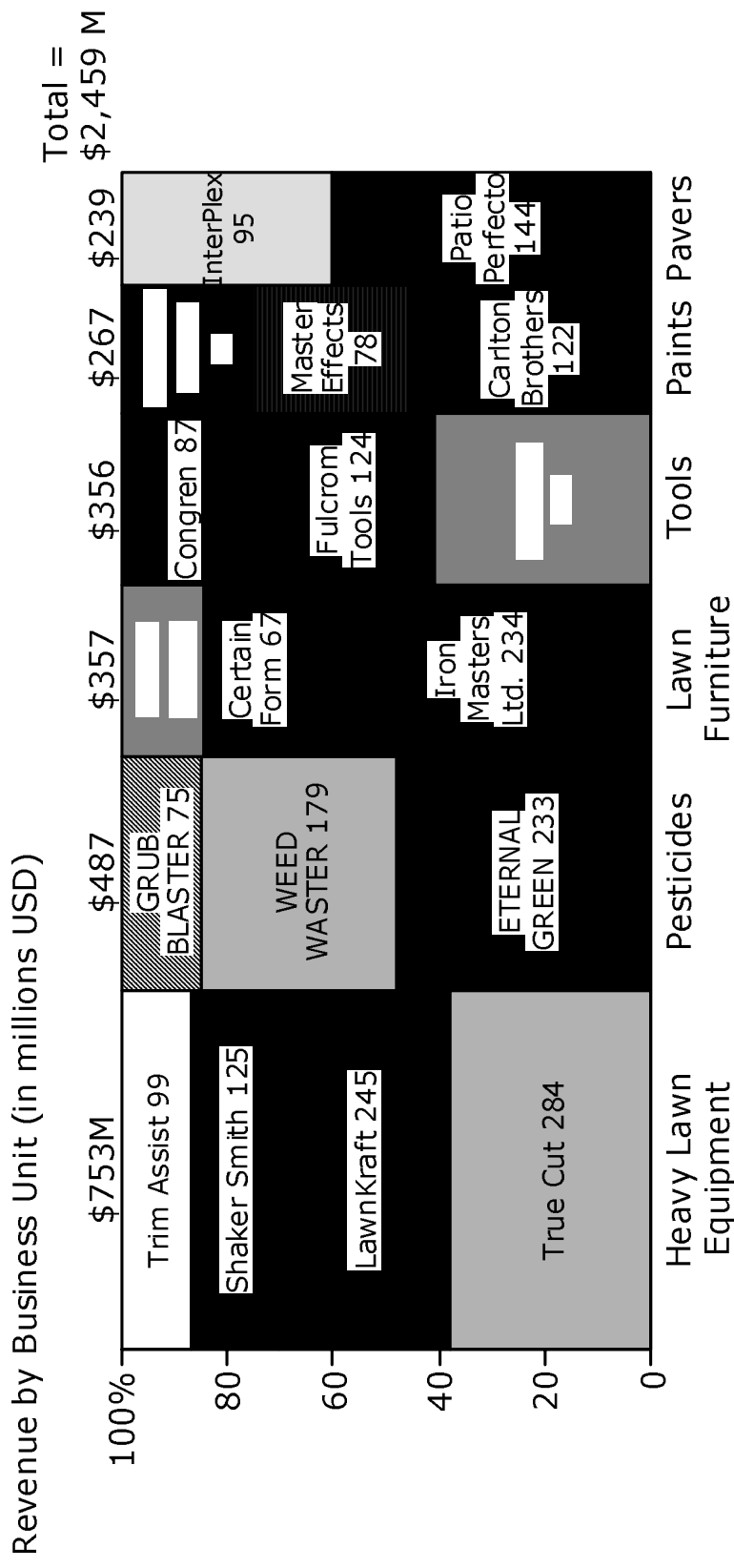
Explains gut check

☐

Ballparks numbers first

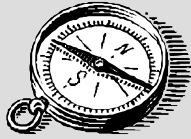
HANDOUT A

2002 Revenue Major Divisions and Businesses



Net Profit Margin	12%	23%	27%	15%	42%	34%
Avg. Growth Rate	4%	9%	13%	5%	17%	31%

Re-routers and Heavy Lifting



Re-routers

Questions To Keep Things On Track

- ❖ **When you look at this chart what jumps out at you?**
 - A large number of companies are the same size.
 - Two categories have low growth and low profit margins.
 - ❖ **How will you prioritize some assets over others?**
 - Look at net profit and growth percentages.
 - Consider the strategic implications.
 - ❖ **What are the implications of the divestitures in their respective categories? Will Tuttle Knox be able to compete going forward?**
 - If either of the large lawn mowing companies is left, Tuttle Knox will not have trouble competing.
 - If the smaller lawn care companies are left then Tuttle Knox may have trouble establishing market share
-



Heavy Lifting

Questions To Make the Case More Difficult

- ❖ **If the investors came back and said they needed \$750M rather than \$500M, would you change your answer? What would you do differently.**
- ❖ **How can we improve the marketability of the assets we do have left?**

Interviewer Feedback

Planning & Logic

Excellent —————> **Poor**

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps				Several overlaps and full of gaps	
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often				You basically forgot about it	

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready		Off and on nervousness		Sweaty, shaky mess	
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth		Occasionally awkward		I'd avoid you at cocktail parties	
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion		You took control sometimes, but then let me drive		Adrift at sea	

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors		Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights	
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties		You missed some connections		You missed all the linkages between the data	

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts				You seemed to solve the case from your gut	
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone				You couldn't even convince yourself, zero passion	

Total Score:
(10-60)

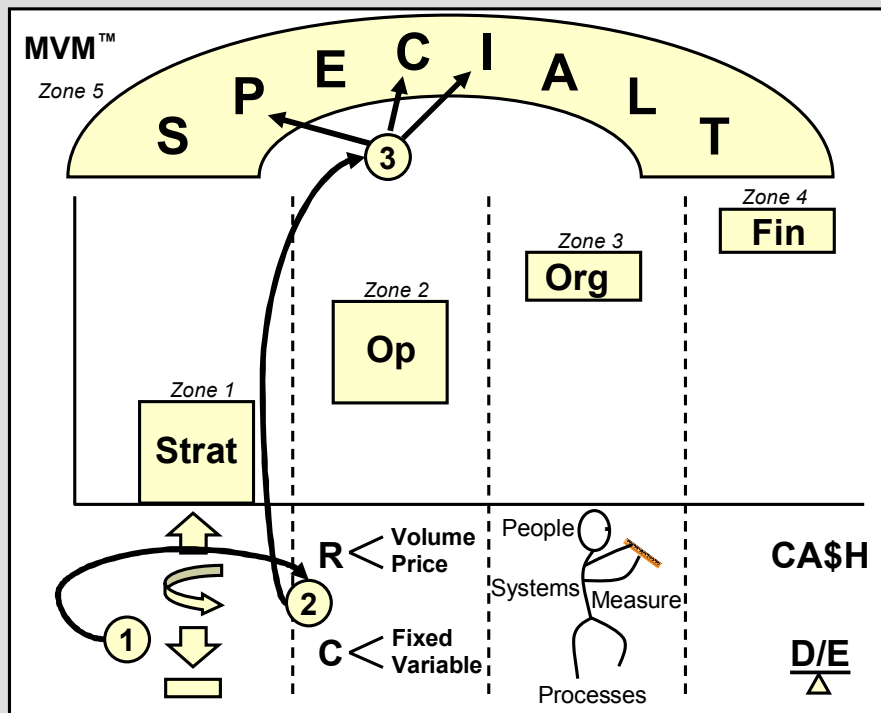
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

F - Form a Plan

- This case starts in Zone 1, Strategy, since it is about divesting assets to achieve the \$500M requirement. To solve it, the candidate should provide a simple plan. To uncover the most valuable businesses, the candidate will need to spend time in operations assessing growth rates and profit margins. There are also macro issues to consider once the assets are sold off, as the remaining business must remain competitive.



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

- 1. Start in Zone 1, Strategy/ Divest:** Slash & Burn Investors want Tuttle Knox to divest \$500M of assets. You can't question the decision since it is a directive from the owners, but there are other questions. How much will buyers pay for the assets? How well will the remaining companies work together? Will competitors buy the assets and use them against us?
- 2. Move to Zone 2, Operations:** To understand which businesses to divest, you'll need to know the basics about each business. How much revenue do they produce annually? What is their net profit? What is their historical and expected growth rate?
- 3. Move to Zone 5, External Factors:** What about the industry for the remaining assets? Will growth projections continue for each business, or are there potential limits? How will competitors respond to the remaining businesses? Is public opinion of any concern?

Candidate Review Sheets

F - Form a Plan (cont.)

Suggested Answers, Diagrams and Behaviors



"Before we divest companies, I'll want to look at the basic operations of the businesses to understand their size and profitability. I also want to look at several macro issues like industry trends, competitors and the public reaction to our remaining company. Unless you suggest otherwise, I would like to start with the companies and their financial performance."

(Simple, straightforward plan to cover most of the key issues. I know that by starting in operations you will dig into the data quickly, which is important for moving the case forward.)

OK

"Divesting is going to require several trade-offs, including profit, growth, market share and synergy with the rest of the portfolio. I'll want to look at all these issues to really understand which companies need to go. Do you have sales growth, past and future for each business? How about margin data for the last five years as well?"

(You're not clueless by any means, but I get the feeling that you are going to just ask me a ton of unfocused questions. First establish a sequence of topics to explore, and then request the relevant data.)

Weak

"Conglomerates are always buying up things that make no sense and then selling them off quickly. I'll focus on profit for each business first. Do you have any profit data?"

(I don't know what you're thinking at this point or where you'll take me. I'm preparing myself for a wild ride!.)

Self Check



Notes:

☐

MECE (Mutually Exclusive, Collectively Exhaustive)

☐

Bottom line tone

☐

Fluent, not stammering

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Play the Data Man/Ma'am covered in the book. Challenge the candidate regularly with questions such as:

- What implications can you draw from the growth rates?
- How would you interpret the profit percentages?
- What conclusions can you draw from the mekko?
- What additional data would you want if you could have it?



Good Reactions/ Body Language:

- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- "Ready to talk" body language, sitting on the front half of the chair, eager to discuss the case

Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in getting set up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position

Self Check



Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Strong confident voice

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

What was your hunch? Did you look at margins first? What about revenue?

Make sure your thinking meets these thresholds:

- **Analytical approach** that assess the data quickly
- **Systematic thinking** that sorts through the companies and pulls together a logical conclusion
- **Strategic mindset** about which remaining companies would work well together



Potential Hypotheses

Using a hypothesis does not have to be limited to the main question of the case (e.g. Which companies should you divest to reach the goal of \$500M?). Use hypothesis thinking in sub-sections of a case where you may have to quickly form an opinion or develop a structure for finding more data.

For instance, once you found that mathematically there were several options you could choose to reach the \$500M goal, you had a great opportunity to put a stake in the ground with a hunch about which deal would be best.

For example:

Divest the Large Companies First

"TK will like the deal that leaves them with smaller companies. In the future these smaller companies could be sold off together or separately and would be easy to shop around since they are small. I doubt that they will have any trouble finding buyers."

Leave a Large Company that TK Can Grow

"TK will want to focus its energy on growing the remaining slow growth companies. It would be best if those remaining companies are large and have the potential to gain large market share. Leaving quite a few small companies would be too difficult to manage."

Self Check



Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

Where did you go looking for data? You needed to build a fact base around the companies. There were also some questions you could have asked about what is driving performance of the company today (e.g. size, innovation, etc.). Here are some examples:

Mining Zones

Company Facts

- **What is the full list of companies owned by Tuttle Knox?**
 - See the marimekko chart. Each block represents one company and shows its sales.
- **Which companies are growing and which ones are not?**
 - See the marimekko chart and Data Distribution.
- **Are there distinct markets that we want to exit?**
 - The chart shows that Heavy Lawn Equipment and Tools are both low growth and low margin businesses.
- **Is it clear where to focus?**
 - Heavy Lawn Equipment and Tools are the poorest performing areas.

Innovation

- **Have the businesses had trouble innovating?**
 - Many managers have complained that the organization is too big. Heavy Lawn Equipment and Tools take a proportionally larger share of resources to manage.
- **Where have we seen evidence of innovation within the businesses?**
 - The paint businesses have been extremely innovative, capitalizing on the growing popularity of home decoration shows and interest in decorative painting projects.
- **What kind of support do the businesses need to be more innovative?**
 - The businesses want freedom to make independent decisions more quickly without having to obtain senior management's approval.

Performance

- **Has our conglomerate model worked with home improvement stores?**
 - Buyers for each department are typically different, so the paint buyer doesn't care if we're an important lawn mower supplier. We gain little or nothing in terms of preferred pricing from our volume in several categories.
- **What advantages do we currently have, and will they continue after selling assets?**
 - Most advantages have come from relationships among senior executives at various business lines, from consolidated shipments, and from sharing insights about how to deal with troublesome customers.

Candidate Review Sheets

M – Mine for the Answer

Make estimates and round your numbers.

Narrow down the choices

- Heavy Lawn Equipment and Tools have weak profit and growth margins. They are prime areas to examine, since the other areas appear to be growing and show healthier profit margins. When choosing between the two, choose Heavy Lawn Equipment. Divesting all tools (\$356M of revenue) vs. divesting an equivalent amount in heavy equipment will result in a profit loss of $3\% \times \$356M = \$10.7M$, due to the difference in profit margins (12% vs. 15%). Divesting the low margin businesses is a key priority. To divest anything in the Tools category before Heavy Lawn Equipment would mean a loss of 3¢ for every dollar of revenue.

Look for combinations that amount to \$500M in the lawn category

What will add up to \$500M?

1.True Cut and LawnKraft	\$529
2.LawnKraft, Shaker, Trim	\$468
3.True Cut, Shaker, Trim	\$508

What's the Implication

Sticking with specialty lawn equipment only
Placing bet on True Cut, tradition and loyalty.
Placing bet on quality and making #2 into #1

Since option 2 does not quite reach \$500M, you could divest of Congren (Tools) as well, which would bring the total to \$556. Slash & Burn wouldn't mind the extra cash for debt payments and it might be best to take care of all the divestitures at one time. This plan leaves TK with True Cut, the traditional lawn mower company. High share would likely be sustained for a period of time, but it is very slow growth and not very profitable.

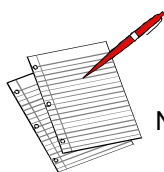
Option 1 leave TK with two smaller specialty companies that are likely acquisition targets down the road. They could be packaged together and sold in a year or two. At that point, TK would be out of the slow growth lawn business.

Option 3 hits the target and leaves TK with one lawn company to focus on and grow. However, it is questionable whether TK will want to grow a business in the lawn care field.

Consider what is left after the company divests the assets

- If there is a combination of tools and lawn equipment, how will they work together?
- Setting aside the heavy lawn and tool equipment, what is the synergy between the remaining businesses?
- Will there be any new challenges in dealing with the home improvement centers after some assets are divested? If TK has any leverage with certain companies, will it be gone?

Self Check



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Ballparks numbers first

Interviewer Notes and Answers

A Logical Flow Using the FRAME Method™

E – End the Case

How strong was your final conclusion? Make sure that you are answering the main question of the case and that you use data whenever possible. Here are some standard questions you should be asking yourself at the end of a case:

- How should I wrap this up?
- So, what's my conclusion? In this case, which companies should I sell off?
- Slash & Burn's senior partner on this deal just called. He wants to chat about your findings. What will you tell him?

Suggested Answers, Diagrams and Behaviors



Good Ending: "To reach our goal of divesting \$500M of assets, I decided to focus on the low growth/ low margin targets first. In particular, I focused on the assets within the Heavy Lawn Equipment category because of its poor performance on both of these dimensions. I recommend that we pare the division down to True Cut only and quickly build its innovation to maintain market dominance. Divesting of Lawn Kraft, Shaker Smith and Trim Assist does not total \$500M, so I'd also sell Congren, a fading company. Together, these total \$556M. Our remaining holdings still give us a strong presence in home improvement."

(Direct and to the point. Also, very clear about how you got to your audience. S&B partners will want the bottom line so this was a good approach.)

OK Ending: "It seems like we have to get out of Heavy Lawn Equipment because of its low numbers on both growth and margin. It would be good to eventually get out of this category altogether, but our holdings are too large. So, in the mean time I'd remove everything but True Cut. We could also throw in Congren to boost the total divestiture to \$556M. I think we'll still have a good presence in the stores."

(You said the same things as in the Good answer, but came across as weak. Using words like "might", "seems", "would be good" and "could" show that you're not driving. Use data and be confident – this is your last impression.)

Poor Ending: "Well there are several options that can get us to \$500M let me go through them and give you the pros and cons of each"

(I'm looking for the door when I hear an answer like this. Most likely we've gone through your thinking during the case so don't rehash it all at the end. Just give me a succinct answer. If I push back, you can defend with detailed data at that point.)

Self Check



Notes:

☐
☐

Several clear points
Persuasive

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible

Candidate Self Assessment

Planning & Logic

	Excellent → Poor					
1. I had a plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. My plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. I trusted my plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					I basically forgot about it

Communication & Composure

4. I was calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. I carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I didn't hold the interviewer's attention
6. I drove the case.	1	2	3	4	5	6
	Clearly in control, I took the case to a conclusion			I took control sometimes		Adrift at sea

Analytics

7. I analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, I didn't get the insights
8. I integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			I missed some connections		I missed all the linkages between the data

Recommendation

9. My final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up my thoughts					I tried to solve the case from my gut
10. I was persuasive in making my final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					I couldn't even convince myself, zero passion

Total Score:
(10-60)

Do this self assessment before asking the interviewer for feedback. How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?

Kryptonite Toys & Parts

*With handheld games taking the globe by storm,
the demand for electronic toy parts is sky-high.
Kryptonite thought they were on top of the world,
but customers think their service is plummeting.
Can you save the day before Kryptonite loses its
power over competitors?*

Case Pack: 003

Difficulty (1-5): ★ ★

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 through 6 before beginning the case.

I

Pages
7 - 16

Interviewer

- **Prep time:** This case is rated 2 stars in terms of difficulty and has few complexities. Expect to invest at least **10 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8)
 - Handout Guide, Additional Data, Math Zone and Handouts (p. 9-14)
 - Rerouters and Heavy Lifting (p. 15)
 - Candidate's "Mine for the Answer" sheet (p. 21)
- **Giving the case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 19. Fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
17 - 24

Candidate

- **Working with an interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10 minutes for this case.
- **After the Interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove any data handouts and place them face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with a interviewer who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

Kryptonite Toys & Parts (KTP), a \$250M manufacturer of handheld game components, has recently received complaints from several long-time customers. The customers are having trouble nailing down consistent global prices with Kryptonite. When one KTP location promises a favorable price, other KTP manufacturing locations will not support the price. From the customers' perspective, KTP is acting more like a consortium of different companies than a unified global entity. KTP's management has reviewed the problem, but does not have a clear solution. Several executives believe the problem stems from the company's internal transfer pricing policies.

How would you dissect this problem? What solutions can you offer to management?

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer notes.

Candidate Notes

Math

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Interviewer Fact Sheet

Case Question: Kryptonite Toys & Parts (KTP), a \$250M manufacturer of handheld game components, has recently received complaints from several long-time customers. The customers are having trouble nailing down consistent global prices with Kryptonite. When one KTP location promises a favorable price, other KTP manufacturing locations will not support the price. From the customers' perspective, KTP is acting more like a consortium of different companies than a unified global entity. KTP's management has reviewed the problem, but does not have a clear solution. Several executives believe the problem stems from the company's internal transfer pricing policies. How would you dissect this problem? What solutions can you offer management?

A Few Tips from David

- This case pulls together several interesting elements: basic accounting through the deal sheets, historic policy review due to a changing global climate, and policy enforcement. Most candidates will piece together the transfer pricing transaction flow but struggle with the dollar impact (the "so what?").

Intro Facts

(Tell the Candidate if Asked)

- **Locations:** Kryptonite has divided the world into four major regions: North America (NAM), Latin America (LAM), Europe (EU) and Asia Pacific (AP)
- **Manufacturing:** Most electronic parts are made in LAM and AP because of low labor and cheap raw materials. They are sold to manufacturers who use the parts to make finished handheld products.
- **Shipping:** Some parts are shipped to various customer facilities in NAM and EU and then put into finished handheld products.
- **Distribution:** Some KTP parts are sold to distributors or outsourced assemblers.
- ★ **Deal Sheets:** Sales people in every region fill out "deal sheets" for a potential sale. The sheet captures overall margin for the deal and whether or not it should be approved. Historic policy requires every deal to generate "net 15%" (net margin) by region.

Key Insights

(Do Not Tell the Candidate)

- **Net 15 policy is hurting the company:** By requiring that every region involved in a deal must achieve a net 15% profit on the transaction, many deals are being eliminated that could benefit the company overall.
- **Decentralized decision making:** Present decision making is decentralized which is the one of the root causes of why poor decisions are being made. Centralized decision making should help promote deals that benefit the whole company and not just one region.
- **Regional profitability and culture –** If changes are made to the net 15% policy, some regions will look less profitable than they do today (because a deal might benefit one region and the total company but not another region). As a result, credits or some new, internal accounting system must be developed. Culturally, the regional leaders may bristle at the thought of their region being seen as less profitable and be hard to sway toward a new system.

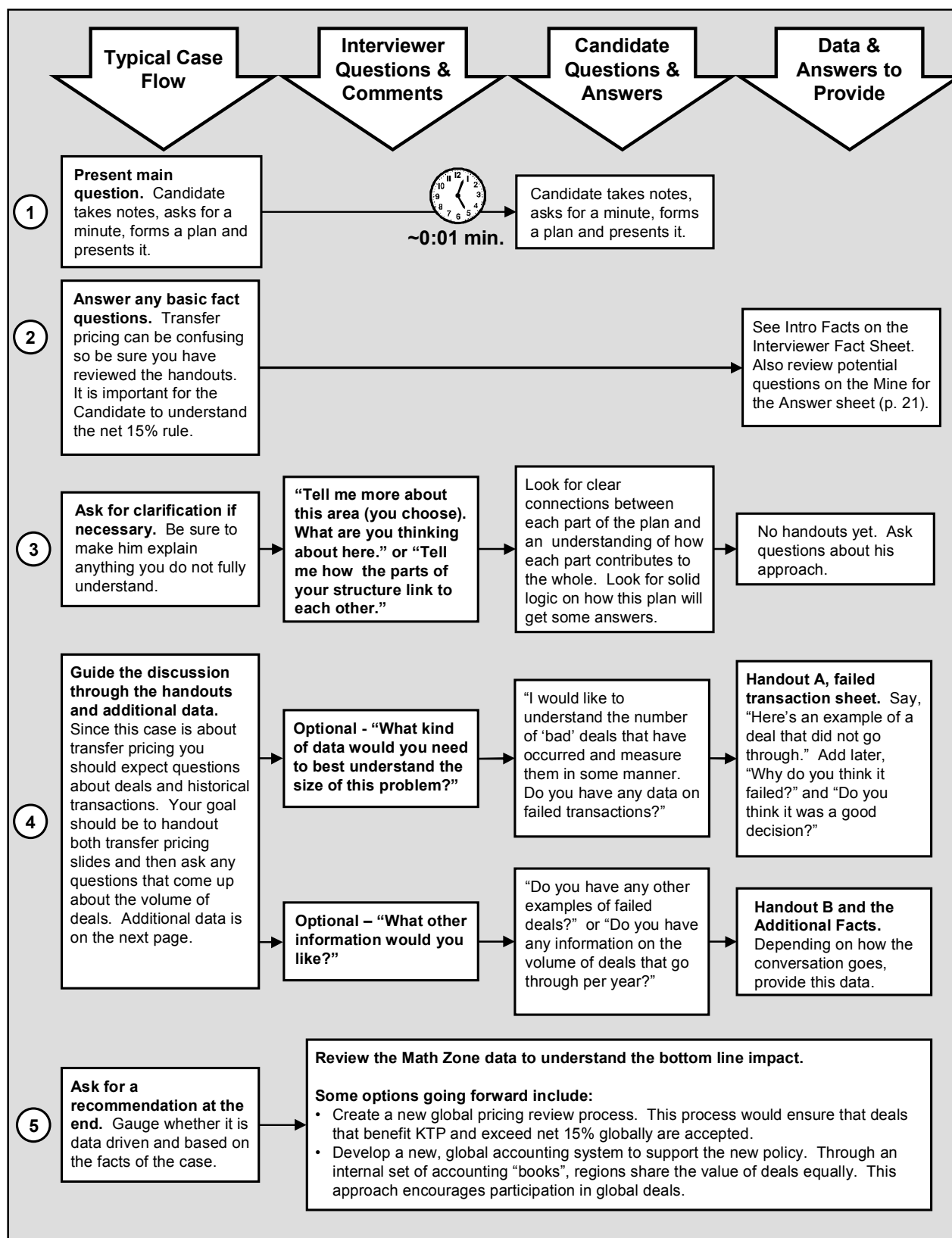
On-Track Indicators

- ✓ **Focuses on data first –** looks to understand why certain deals were killed and what the root cause is
- ✓ **Pulls together insights –** ties the fact that each region must achieve net 15% on every deal as a root cause
- ✓ **Thinks realistically –** understands that changing deal approval policy and internal accounting policy will be difficult to implement

Off-Track Indicators

- ✗ **Misses the transfer pricing point –** drives toward organizational behavior first
- ✗ **Misunderstands the deal sheets –** fails to integrate the accounting of both regions to create a global view
- ✗ **Forgets about implementation issues –** After making a recommendation, you must determine how to implement it. Discuss the challenges KTP will face.

Case at a Glance



Handout Guide and Additional Data

REJECTED

Kyoto Japan Plant
Deal Sheet (proposed quotation)

Customer: Hand Glove Toys
Part #: 590234PLU4492
KJP Sales Rep: Shinju Mori
Customer Contact: Roy Headstrong (KTP Indiana)

A

Per unit costs		
Units		10,000
Revenue - Transfer Price	\$	1.75
Direct Costs	\$	1.12
Gross Profit	\$	0.63
Gross Profit Margin		36%
Selling and Service	\$	0.25
Admin	\$	0.17
Net Profit	\$	0.21
Net Margin		12.0%

amount requested by Indiana USA plant

Candidate:

Do you have any data on failed price quotations?

Interviewer:

Here's an example of a deal that did not go through in one of KTP's manufacturing locations.

You Might Ask:

Why do you think the deal was rejected?

Main Insight:

Every region must achieve 15% net margin on every deal. This deal fell short at 12%.

Candidate got the insight?: ☐ Yes ☐ No

Indiana USA Plant
Deal Sheet (proposed quotation) **DENIED**

Customer: Hand Glove Toys
Part #: 590234PLU4492
KJP Sales Rep: Roy Headstrong
Manufacturing Contact: Shinju Mori

B

Per unit costs		
Units		10,000
Revenue (tp / sales price)	\$	4.10
Direct Costs	\$	1.75
Gross Profit	\$	2.35
Gross Profit Margin		57%
Selling and Service	\$	1.05
Admin	\$	0.44
Net Profit	\$	0.86
Net Margin		21.0%

JAPAN NOT MEETING MARGIN, TALK TO MORTY-SAN

CUSTOMER WON'T BUDGE ON PRICE 6/23/02

Candidate:

Do you have examples of other deals that did not go through?

Interviewer:

Here's the matching deal sheet on the US side.

You Might Ask:

Why do you think the deal was rejected?

Main Insight:

Even though the Indiana plant had margin well over 15%, they were denied. It looks like the US tried to get the customer to pay more, but the customer would not.

Candidate got the insight?: ☐ Yes ☐ No

Additional Facts to Give if Asked

- **Number of deals lost to pricing disputes:** 322 deals in 2001
2002 is expected to be higher.
- **Average revenue per deal:** \$54,000
- **Estimated net profit per deal:** 22%
- **Recent comments from the Regional Leaders (RL):**
 - "If the European sales guys weren't so expensive and greedy, we wouldn't have so many pricing disputes" – Asia Pacific
 - "Asia is always complaining about price. They just don't know how hard it is and how expensive it is to scare up business here." – Europe
 - "What pricing problem?" – North America
 - "The heart of this issue is communication. We need more." – Latin America

Math Zone

Recommended Approach

Review the slides

- It is clear that Japan rejected the deal due to margin short-fall. Even though the US plant was well over 15% and could make up Japan's 3% shortfall (15% - 12%), the deal was cancelled.

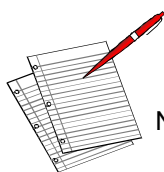
Calculate global value to KTP

- Killing deals that could profit the global entity does not make sense. To determine what the margin would be on the global deal, create the following table:

Units	10000
Global Revenue	\$ 4.10
Direct Costs	\$ 1.12
Gross Profit	\$ 2.98
Gross Profit Margin	73%
Selling and Service	\$ 1.30
Admin	\$ 0.61
Net Profit	\$ 1.07
Net Margin	26%

- From a global perspective, the deal offers a net margin of 26%! Certainly a good deal to pursue.
- Total value of this problem to KTP: \$54k (average deal revenue) x 22% (average net margin) x 322 (2001 deals killed) = \$3.8M
- \$3.8M / (\$250 x net 15%) = 10% of total net profit. This is a big issue.

Feedback



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Ballparks numbers first

HANDOUT A

Kyoto Japan Plant

Deal Sheet (proposed quotation)

REJECTED

Customer: Hand Glove Toys

Part #: 590234PLU4492

KJP Sales Rep: Shinju Mori

Customer Contact: Roy Headstrong (KTP Indiana)

Per unit costs

Units	10,000	
Revenue – Transfer Price	\$	1.75
Direct Costs	\$	1.12
Gross Profit	\$	0.63
Gross Profit Margin		36%
Selling and Service	\$	0.25
Admin	\$	0.17
Net Profit	\$	0.21
Net Margin		12.0%

*amount
requested by
Indiana USA
plant*

HANDOUT B

Indiana USA Plant

Deal Sheet (proposed quotation)

DENIED

Customer: Hand Glove Toys

Part #: 590234PLU4492

KJP Sales Rep: Roy Headstrong

Manufacturing Contact: Shinju Mori

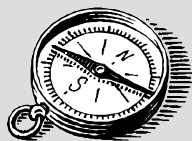
JAPAN NOT MEETING
MARGIN, TALK TO MORI-
SAN 6/17/02

Per unit costs

Units	10,000	
Revenue (tp / sales price)	\$	4.10
Direct Costs	\$	1.75
Gross Profit	\$	2.35
Gross Profit Margin		57%
Selling and Service	\$	1.05
Admin	\$	0.44
Net Profit	\$	0.86
Net Margin		21.0%

CUSTOMER WON'T BUDGE
ON PRICE
6/23/02

Re-routers and Heavy Lifting



Re-routers

Questions To Keep Things On Track

- ❖ **What profit goals does each region have to meet?**
 - Net 15% on every deal, no exceptions
- ❖ **Why would a company have such a rule?**
 - To ensure that regions do not take low-margin deals and then hope to make-up losses with high-margin deals later.
 - To provide a simple control that any employee can understand
- ❖ **What additional data would you like to see?**
- ❖ **How can you make your answer more quantitative?**
- ❖ **What are some simple ways that KTP can encourage the company's leadership to adopt a more global focus?**
 - Develop more global infrastructure and information sharing, e.g. international sales teams or global pricing approval
 - Standardize all branding with the customer; including slogans, business cards, logos and marketing materials



Heavy Lifting

Questions To Make the Case More Difficult

- ❖ **If management does not agree to creating a global pricing approval process, what other options are there for solving this problem?**
 - Provide the regional leaders and sales people with financial incentives to do joint deals.
 - Remove the Net 15% rule for a period of time and monitor regional performance.
- ❖ **How would you implement a new global pricing policy if you only had two months to do it?**
 - Meet with leadership in each region first. Present a hypothesis/ "straw-man" of the process. Finalize the policy; then develop a small global team to implement it and monitor results. Rollout the new policy by training pricing leaders in each region. Set a firm go-live deadline.

Interviewer Feedback

Planning & Logic

Excellent \longrightarrow Poor

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps				Several overlaps and full of gaps	
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often				You basically forgot about it	

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready		Off and on nervousness		Sweaty, shaky mess	
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth		Occasionally awkward		I'd avoid you at cocktail parties	
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion		You took control sometimes, but then let me drive		Adrift at sea	

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors		Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights	
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties		You missed some connections		You missed all the linkages between the data	

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts				You seemed to solve the case from your gut	
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone				You couldn't even convince yourself, zero passion	

Total Score:
(10-60)

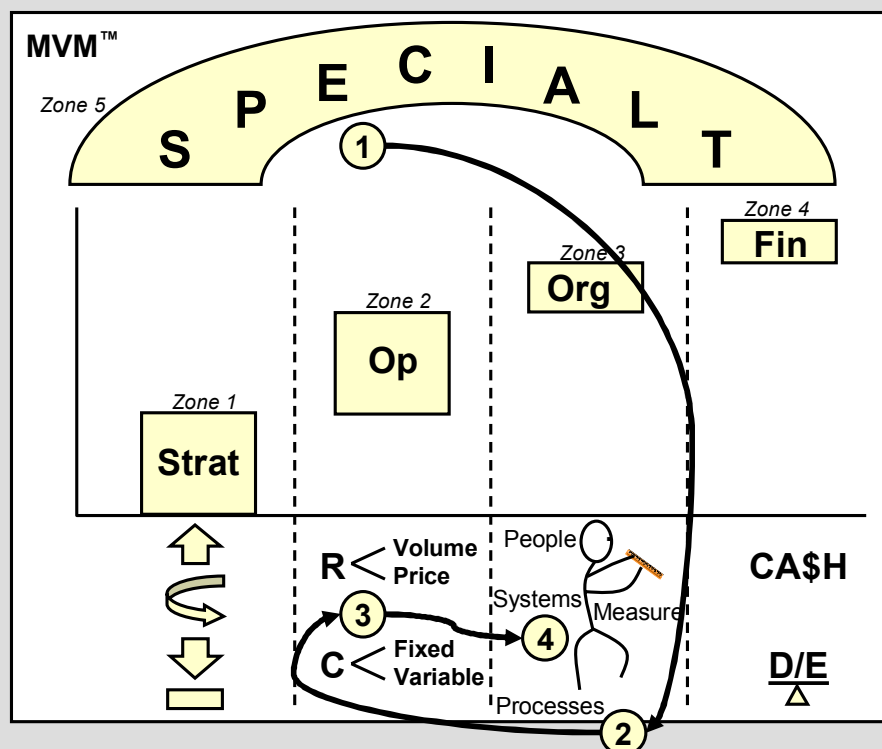
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Interviewer Notes and Answers

A Logical Flow Using the FRAME Method™

F – Form a Plan

- Customers are upset about inconsistent pricing among regions, and the difficulty of obtaining order approvals. Consider starting in Organization/ Processes (Zone 3) to understand why the deals are being rejected.
- This case focuses almost exclusively on KTP's internal policies for price approval. Discussing external factors in Zone 5 may uncover global pricing trends in the industry but will not be the primary zone of the case.



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

- 1. Start in Zone 5, External Factors:** This case starts off with customers complaining about their supplier (KTP). KTP has failed to keep up with an industry shift toward global pricing. Why is the company lagging behind?
- 2. Move to Zone 3, Organization/ Processes:** What is happening with the pricing approval process today? How is it integrated with the sales approval process? Is there any data on why the deals are rejected, and how many are rejected?
- 3. Move to Zone 2, Revenue/ Price:** How do the regions set pricing policy? Is this an internal problem or is it being driven by some external market factors?
- 4. Finish in Zone 3, Organization/ Systems:** How can the deal approval process be changed? What changes in regional and global accounting need to happen? What are the rollout implications?

Interviewer Notes and Answers

F – Form a Plan (cont.)

Suggested Answers, Diagrams and Behaviors



Good

“To better understand the pricing issue, I would like know how prices are approved by region. It seems like this is an internal problem, but I also want to know whether there are any industry pricing trends that KTP has not adopted. Finally, if we have to make some adjustments to our pricing policies, I want to discuss how those changes will affect the organization. I'd like to start with internal deal approval, unless you'd prefer me to start elsewhere.”

(Very simple and clear path: external issues and internal issues. You also did a good job of letting me know early on that you'll be thinking through implementation.)

OK

“Feedback like this from important customers is very serious. We should explore whether or not this issue is isolated to a certain set of customers or whether it is more widespread. I would like to first discuss some specific transactions that were rejected and try to determine the reasons. Am I understanding this problem correctly, or is there another area you would like me to focus on first?”

(KTP is already aware of the serious nature of this problem and wants you to solve it. At this point, since several customers complained, it is safe to assume that they want to resolve it. Your idea of exploring the specific transactions is good. Be sure to leave room to explain your hypothesis early in the discussion.)

Weak

“Pricing approval is likely to be an administrative issue where policies have not been rolled out consistently, and the right people are not pulled into the decision. Of course, there is the issue of exchange rates and making sure everyone is talking about the same amount. I'd like to review any information you have on why the deals were rejected, and find out who made the decision.”

(You arrived at the same point as the OK answer above, but your approach seems somewhat less focused. You can safely assume that several customers would not all be wrong about a currency exchange rate issue. Let's see where you take this case.)

Self Check



Notes:

☐

Confident

☐

Bottom line tone

☐

Fluent, not stammering

☐

Clear path

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Interviewer Notes and Answers

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Focus on being the Silent Partner, willing to offer information when asked but only then. There is not a lot of data to distribute so you can give your candidate the test of silence. Note how s/he handles the situation. It is tempting as the candidate to fill the silence with unfocused talking.



Good Reactions/ Body Language:

- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- "Ready to talk" body language, sitting on the front half of the chair, eager to discuss the case

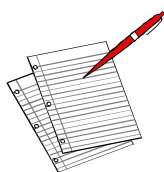
Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in getting set up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position

Self Check



Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Wants to be here

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

What was your initial hunch?
Transfer pricing is not the most common of topics, but there were enough clues for you to build a few thoughts early.

As you begin to work through your plan, use your mental hypothesis as a place to direct your questions. Your initial thought and natural curiosity can give you a focus that many other candidates will lack.

**Potential Hypotheses**

So where could you build some initial hunches? After you received the case question you probably had some initial reactions to the situation. Did you suspect that the company is disorganized? Outdated in terms of their policies? Poor at training their employees? Any of these thoughts would have been a good beginning to help you focus your questions. Here are some examples:

Internal Policy Not Employees

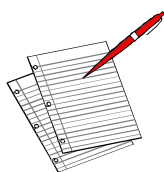
"I think that most employees believe that they are acting rationally. I bet that some deals are being rejected due to some policy or something out of the control of the employees."

Communication

"My hunch is that the procedures are probably appropriate but communication is breaking down for some reason. I'll expect to see several issues surrounding communication between regions and employees."

Incentives

"People are wallet driven, looking to fill their own pocket as much as possible. The leaders in the company are doing things that suit their own best interests. As I explore what is going on, I plan to look for opportunities to review their incentive compensation metrics."

Self Check

Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

The key to this case was discovering how pricing quotes were rejected and approved. Other critical areas to drill into are global unity and regional differences. With any potential change it is also good to get a perspective on what that change will do to the organization.

Mining Zones

Deal Rejections

- How many deals are rejected per year because one region won't support them?
 - 233 price quotes were cancelled last year due to "regional disagreement".
- What are the reasons for not supporting the price?
 - One region is not achieving enough margin on the deal or has limited capacity, so priority is given to high margin deals.
- Do we have regional policy on profit margin and deal approval?
 - Each region must make net 15% on every transaction. Sales people can approve/reject deals.
- Do we have a global policy?
 - No global policy. Each region has veto power.

Global View

- How do the different regions work together?
 - Cooperation is based on transactions; the manufacturing region transfers parts to the assembling region.
- Where do the regions typically have disagreement with one another?
 - Disagreement is almost always based on profitability and who will make more by region.
- How does KTP resolve regional differences when they arise?
 - KTP lets the regions resolve their own disputes.

Potential Change

- What global policies or systems has KTP rolled out in the past?
 - SAP (global computer information system) was rolled out 2 years ago. There have been no other global rollouts.
- What were the reasons for their success or failure?
 - SAP succeeded somewhat, but there were many disputes over universal standards.
- What is leadership's attitude (by region) toward change?
 - Each region wants to rollout their own policies and seldom wants to explore policies developed in other regions.

Math Zone

M – Mine for the Answer***Make estimates and round your numbers*****Review the slides**

- It is clear that Japan rejected the deal due to margin short-fall. Even though the US plant was well over 15% and could make up Japan's 3% shortfall (15% - 12%), the deal was cancelled.

Calculate global value to KTP

- Killing deals that could profit the global entity does not make sense. To determine what the margin would be on the global deal, create the following table:

Units	10000
Global Revenue	\$ 4.10
Direct Costs	\$ 1.12
Gross Profit	\$ 2.98
Gross Profit Margin	73%
Selling and Service	\$ 1.30
Admin	\$ 0.61
Net Profit	\$ 1.07
Net Margin	26%

- From a global perspective, the deal offers a net margin of 26%! Certainly a good deal to pursue.
- Total value of this problem to KTP: \$54k (average deal revenue) x 22% (average net margin) x 322 (2001 deals killed) = \$3.8M
- \$3.8M / (\$250 x net 15%) = 10% of total net profit. This is a big issue.

Think through options

- Create a new global pricing review process. This process would ensure that deals that benefit KTP and exceed net 15% globally are accepted.
- Develop a new, global accounting system to support the new policy. Through an internal set of accounting "books", regions share the value of deals equally. This approach encourages participation in global deals.

Self Check

Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Ballparks numbers first

Interviewer Notes and Answers

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

E – End the Case

What was your final conclusion? Did you have both a data driven set of insights and then some recommendations for moving forward? Keep the following in mind as you conclude any case:

- How would I wrap this up?
- So, what's my conclusion? In this case, how should I resolve these cancelled deals?
- How can I pull my analysis together quickly and end the case?



Good Ending: “Kryptonite is turning down a large number of profitable deals every year. In fact, in 2001 the total average net profit from all rejected deals amounts to about 10% of total net profit. To capture some of this money in the bottom line, we need to think differently about our structure. Decentralizing the decision-making for global price quotes and sticking to the ‘Net 15’ rule for every deal doesn’t make sense anymore. I recommend we automate an approval system and have “close call” deals reviewed by senior management. KTP should put a team in place to monitor the rollout of this new process.”

(Excellent use of data. You put a stake in the ground on where to go next. Your calculation of lost profits should catch management’s attention. Good job.)

OK Ending: “Kryptonite needs to focus on profitable deals for the company as a whole. To do this, they’ll need to put an end to the outdated Net 15% policy. Instead, each deal should be evaluated on its value to the entire company. I suggest that we look into automating the approval system in SAP and have an exception-based review process. Internally, we’ll need to ensure that each region gets a fair portion of the profits from the deal. We’ll need to clearly explain the benefits of this approach to each region head, as they have not been open to corporate initiatives in the past.”

(Nice job thinking through both the problem and the solution. Try to be more quantitative in your wrap-up to show your grasp of the numbers.)

Poor Ending: “Basically our Net 15 policy has to go. We’re losing deals left and right and it is not working for the good of Kryptonite on the whole. Customers will like our new unified approach. As a next step we should move ahead with changing the policy as soon as possible.”

(Nothing you said is wrong, but overall this statement gives a poor last impression. It lacks quantitative depth. Use data, explain your logic and provide realistic next steps.)

Self Check
☐
☐

Several clear points
Confident

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible



Notes:

Candidate Self Assessment

Planning & Logic

Excellent —————> **Poor**

1. I had a plan to solve this case.

1	2	3	4	5	6
Very clear			Fuzzy	Not clear at all	

2. My plan was MECE.
(Mutually exclusive, collectively exhaustive)

1	2	3	4	5	6
No overlaps and gaps				Several overlaps and full of gaps	

3. I trusted my plan and referred to it often.

1	2	3	4	5	6
Used it, referred to it often				I basically forgot about it	

Communication & Composure

4. I was calm and collected.

1	2	3	4	5	6
Calm, confident and client ready			Off and on nervousness	Sweaty, shaky mess	

5. I carried the discussion well.

1	2	3	4	5	6
Just the right amount of back and forth			Occasionally awkward	I didn't hold the interviewer's attention	

6. I drove the case.

1	2	3	4	5	6
Clearly in control, I took the case to a conclusion			I took control sometimes	Adrift at sea	

Analytics

7. I analyzed the data well on a piece by piece basis.

1	2	3	4	5	6
Quick to insights, no math errors			Slow on the uptake, some math mistakes	Lots of mistakes, I didn't get the insights	

8. I integrated data well and reached insights (saw the big picture).

1	2	3	4	5	6
Quick to "connect the dots" and see how it all ties			I missed some connections	I missed all the linkages between the data	

Recommendation

9. My final recommendation was to the point and data driven.

1	2	3	4	5	6
Used facts and data to back up my thoughts				I tried to solve the case from my gut	

10. I was persuasive in making my final points.

1	2	3	4	5	6
Persuasive points, passion and a bottom-line tone				I couldn't even convince myself, zero passion	

Total Score:
(10-60)

Do this self assessment before asking the interviewer for feedback. How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?

Fitness Xtreme

*Fitness Xtreme, land of the limber and lean,
needs to go on a diet. Membership fees are
down and management is eyeing its costs.
Should the trainers get the axe?*

Case Pack: 004

Difficulty (1-5): ★ ★

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 through 6 before beginning the case.

I

Pages
7 - 13

Interviewer

- **Prep time:** This case is rated 2 stars in terms of difficulty and has few complexities. Expect to invest at least **10 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8-9)
 - Data Distribution and Math Zone (p. 10-11)
 - Re-routers and Heavy Lifting (p. 12)
 - Candidate's "Mine for the Answer" sheet (p. 18)
- **Giving the case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 16. Fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
14 - 21

Candidate

- **Working with an interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10 minutes for this case.
- **After the Interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove any data handouts and place them face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with a partner who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

Fitness Xtreme, a mega-gym located on the east coast, offers its members 45,000 square feet of indoor fitness: state of the art equipment, several gymnasiums, dance studios, racquet ball courts, a climbing wall, swimming pools, on-site child care and a healthy fare café. They even have a day spa on site! In the wake of a recent economic slowdown and waning memberships, it has been difficult to keep such a monstrosity functioning profitably. As a result, management is looking to cut costs. One category they are eyeing is the personal training staff. Half the management team thinks they offer little benefit to members while the other half believe they are critical to Fitness Xtreme's value proposition.

What should they do?

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer notes.

Candidate Notes

Math

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Interviewer Fact Sheet

Case Question

Fitness Xtreme, a mega-gym located on the east coast, offers its members 45,000 square feet of indoor fitness: state of the art equipment, several gymnasiums, dance studios, racquet ball courts, a climbing wall, swimming pools, on-site child care and a healthy fare café. They even have a day spa on site! In the wake of a recent economic slowdown and waning memberships, it has been difficult to keep such a monstrosity functioning profitably. As a result, management is looking to cut costs. One category they are eyeing is the personal training staff. Half the management team thinks they offer little benefit to members while the other half believe they are critical to Fitness Xtreme's value proposition. What should they do?

A Few Tips from David

- This is a fun case because it involves something everyone understands (fitness) and something many often wonder about (do fitness trainers add any value?).
- Look to see if your candidate could ballpark the numbers quickly (e.g. costs are ~\$7M, revenue is about ~\$10M) before diving deep. It is a valuable skill and critical for finishing cases on time.

Intro Facts

(Tell the Candidate if Asked)

- **Cost containment** – Management is leery of making too many cutbacks for fear of losing members
- **Economic outlook** – The economy seems to be improving. Many experts predict a recovery in the next six to twelve months. Gym memberships typically rise and fall in line with the economy.
- **Member opinions** – There is no data on what members think of the trainers.
- **Competitors** – FX is the only mega-gym of its kind within 20 miles.
- **Amenity usage** – There is no data on how frequently various amenities are used.

Key Insights

(Do Not Tell the Candidate)

- **Trainers are a break-even proposition.** Trainers are barely paying for themselves. Without changing their salary structure, we know that their value lies in attracting/retaining members, not generating revenue.
- **Few members use personal training.** Trainers perform 900 (18 trainers x 2.5 sessions x 20 working days) sessions per month. Since the average trainee meets 2x per week, 450 different people are being trained. That's less than 5% of the 14,000 membership base.
- **To be valuable, trainers must be offering other intrinsic value.** Trainers could be adding value by attracting new customers or by giving tips throughout the day that the members appreciate. You do not have any data to show whether or not they are providing a service that draws or keeps members, but it would make a good discussion toward the end of the interview.

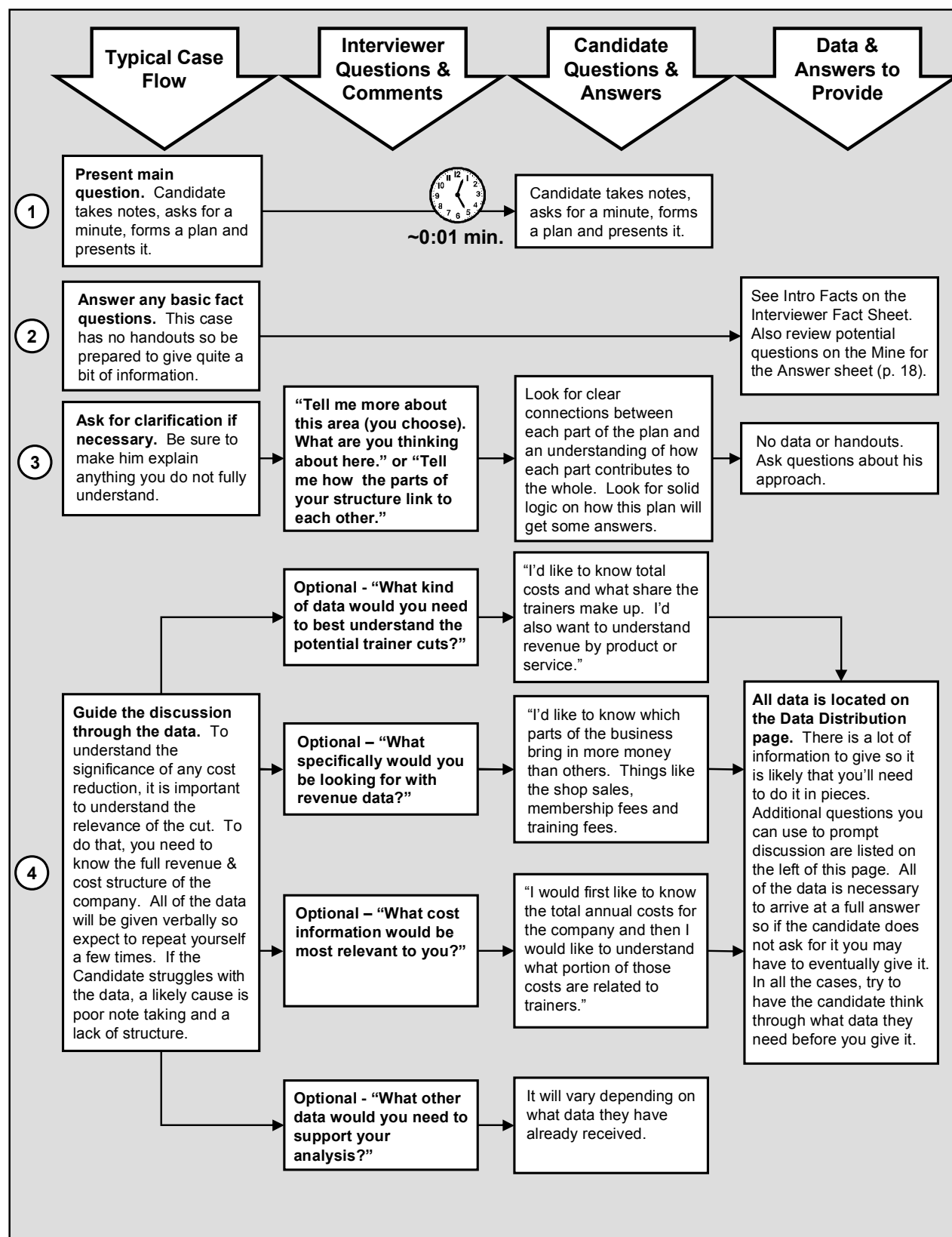
On-Track Indicators

- ✓ **Looks for data early in the case** – asks questions that will help put numbers to the problem
- ✓ **Pulls out insights** – does a good job of “connecting the dots” between the low amount of costs and the high potential for lost revenue
- ✓ **Creative analytics** – thinks out of the box in an attempt to address this issue and uses data to back it up

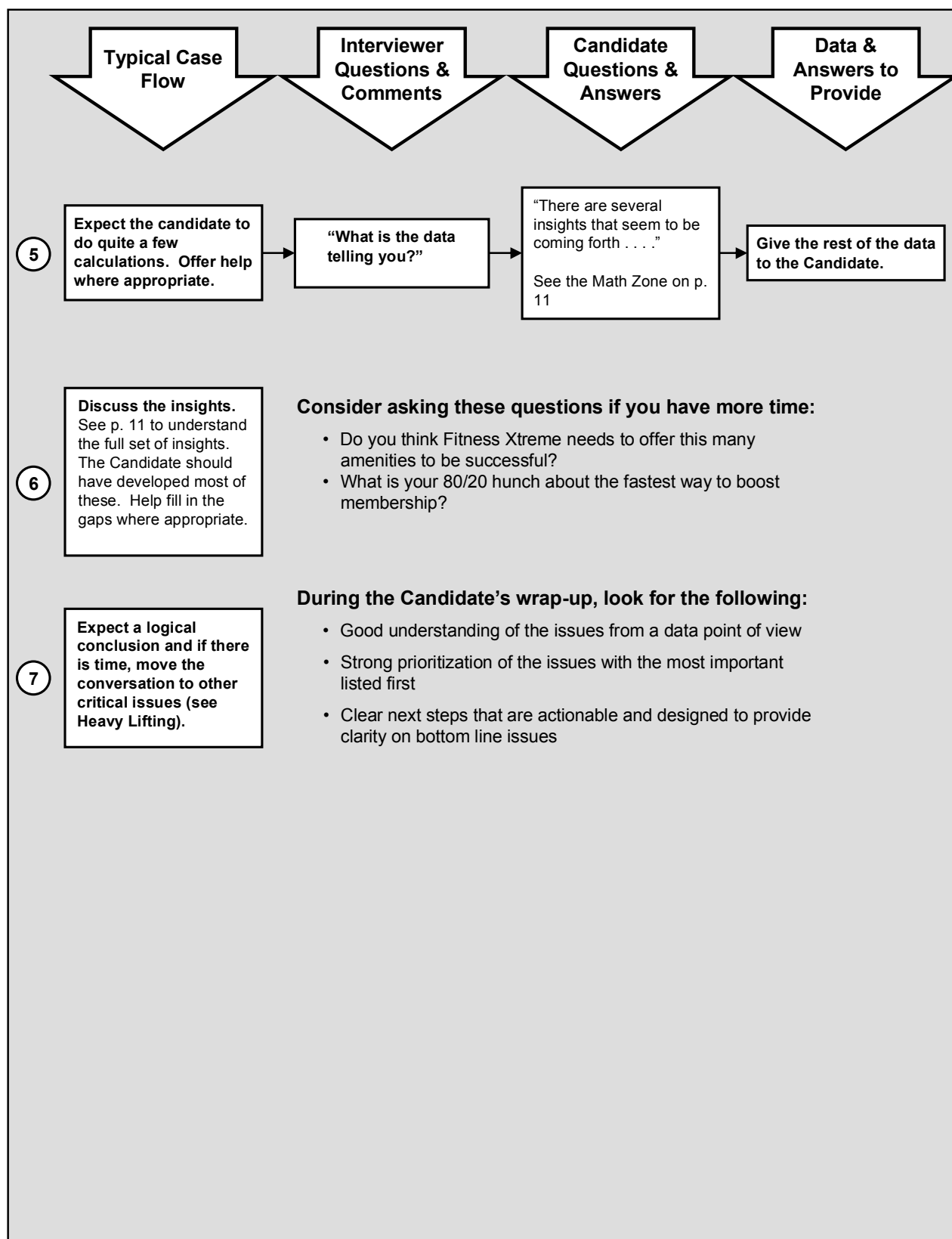
Off-Track Indicators

- ✗ **Focuses on the qualitative** – organization cases are interesting and can provide a lot of distractions, but the candidate needs to first stick to the data
- ✗ **Asserts without data** – tends to believe something strongly but can't prove it
- ✗ **Misses the need for cost detail** – does not seek to break down the cost data to the point of gleaning insights

Case at a Glance



Case at a Glance



Data Distribution

This data is necessary to crack this case. Give it only when asked.

Cost Data (monthly)

• Employee salaries	\$150,000	(includes trainers and others, more detail below)
• Internal maintenance & parts	\$50,000	(repair of exercise machines, infrastructure, etc.)
• Outsourced maintenance	\$25,000	(landscaping, HVAC, paving, etc.)
• Xtreme Café food	\$12,000	(light fare ingredients and packaged foods)
• Lease payments	\$275,000	(long-term, non-negotiable)
• Other	\$50,000	(miscellaneous costs like new towels)
Total	\$562,000	

Revenue Data (monthly)

• Memberships	\$616,000	(blended initial fee and monthly, see detail below)
• Xtreme Café	\$30,000	(retail revenue on drinks, packaged and fresh foods)
• Spa/ Beauty Treatments	\$60,000	(everything from head to toe plus massages)
• Family/ Individual Classes	\$35,000	(including special kid's classes like tumbling)
• Personal Training	\$54,000	(see detail below)
Total	\$795,000	

Salary Cost Breakdown (monthly)

• Trainers	\$52,500	(18 full-time x 35k)
• Maintenance	\$23,333	(8 full-time x 35k)
• Spa/ Beauty	\$30,000	(8 full-time x 45k (average includes tips))
• Part-time Admin	\$31,250	(15 part-time x 25k)
• Full-time Admin	\$28,000	(7 full-time x 48k (average salary including Director))
• Sales Staff	\$37,500	(15 part-time x 30k (average includes commissions))
Total	\$202,583	

Key Variables

- **Monthly Membership:**
$$14,000 \text{ members} \times \$110 \text{ (average of monthly and start-up fees)} \times \frac{1}{2.5} \text{ (ratio to account for families with kids)} = \$616,000$$
- **Personal Trainers:**
$$18 \text{ trainers} \times \$60 \text{ per session} \times 2.5 \text{ sessions per day} \times 20 \text{ average working days per month} = \$54,000$$

Other

- **Average daily trainer activities:**
 - One-on-one sessions 2.5 hours 31% (sessions booked by member, \$60 per hour)
 - Introductory sessions 3 hours 38% (free to new member, may build trainer's book)
 - "Walking the aisles" 2.5 hours 31% (no set duties; lending ad hoc assistance to members)

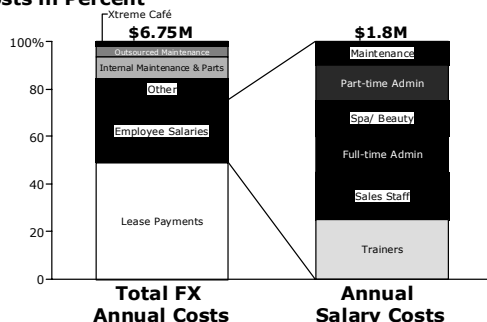
Math Zone

Recommended Approach

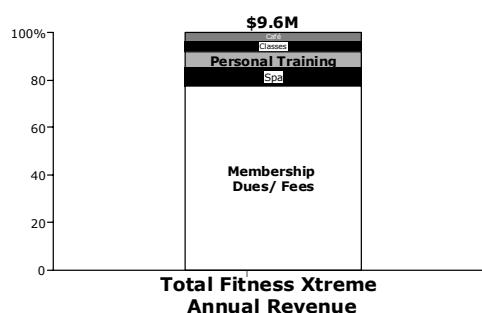
Plot Your Data

- A few 100% bar charts can help you keep the data straight

Costs in Percent



Revenue in Percent



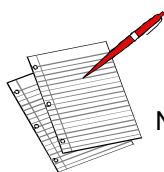
Is management barking up the right tree?

- Within our total cost bar, lease payments is the largest block. Assume it's a fixed cost.
- Employee Salaries is the next largest area, so management is right to focus there.
- Trainer Salaries is the largest item within Salary Costs, and there is no guarantee that they are helping to retain or attract members. We could also look at Sales Staff, but since memberships are down, we don't want to reduce there. Leave the other blocks for additional discussion if there's time.
- For perspective, note that membership dues comprise 80% of revenue. Training fees contributes only 7%.

Quick insights

- Trainers are a break-even proposition.** Trainers are barely paying for themselves. Without changing their salary structure, we know that their value lies in attracting/retaining members, not generating revenue
- Few members use personal training.** Trainers perform 900 (18 trainers x 2.5 sessions x 20 working days) sessions per month. Since the average trainee meets 2x per week, 450 different people are being trained. That's less than 5% of the 14,000 membership base.
- To be valuable, trainers must be offering other intrinsic value.** Trainers could be adding value by attracting new customers or by giving tips throughout the day that the members appreciate.

Feedback



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

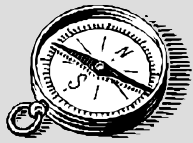
☐

Explains gut check

☐

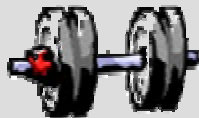
Ballparks numbers first

Re-routers and Heavy Lifting



Rerouters ***Questions To Keep Things On Track***

- ❖ **We've discussed costs. How do you determine where to cut?**
 - Look at the largest buckets and the ones that are the most controllable.
 - In this case, lease payments is large but hard to change. Salaries are easier to change but cutting them can be complicated.
 - ❖ **What value would revenue data give you?**
 - By understanding where FX makes money, we can see how cost cuts would have an impact.
 - In this case, membership fees comprise 80% of revenue; training comprises less than 10%.
 - ❖ **What additional data would you like to see?**
 - ❖ **How can you make your answer more quantitative?**
-



Heavy Lifting ***Questions To Make the Case More Difficult***

- ❖ **How would you change your answer if trainers were 100% busy with new member sessions and private sessions?**
 - In this case they would be spending all of their time on value-added activities so cutting them back would not make sense.
 - Full utilization would double training revenue (an extra \$54,000/month)
- ❖ **What is the most effective way to get data supporting the true value of the trainers?**
 - Trainers can add value in three ways: attracting new members, keeping members, and making money from members. We need to find data for each activity to put a value on it.
 - You already have data for the third one in the case. For the first two, poll each group with hypothetical situations (e.g. 5 trainers on staff rather than 10); then measure the impact on new memberships and loyalty of present members.
 - With enough data points you will be able to statistically determine if a change in the trainer staffing level will have an impact.

Interviewer Feedback

Planning & Logic

Excellent —————→ **Poor**

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					You basically forgot about it

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I'd avoid you at cocktail parties
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion			You took control sometimes, but then let me drive		Adrift at sea

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			You missed some connections		You missed all the linkages between the data

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts					You seemed to solve the case from your gut
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					You couldn't even convince yourself, zero passion

Total Score:
(10-60)

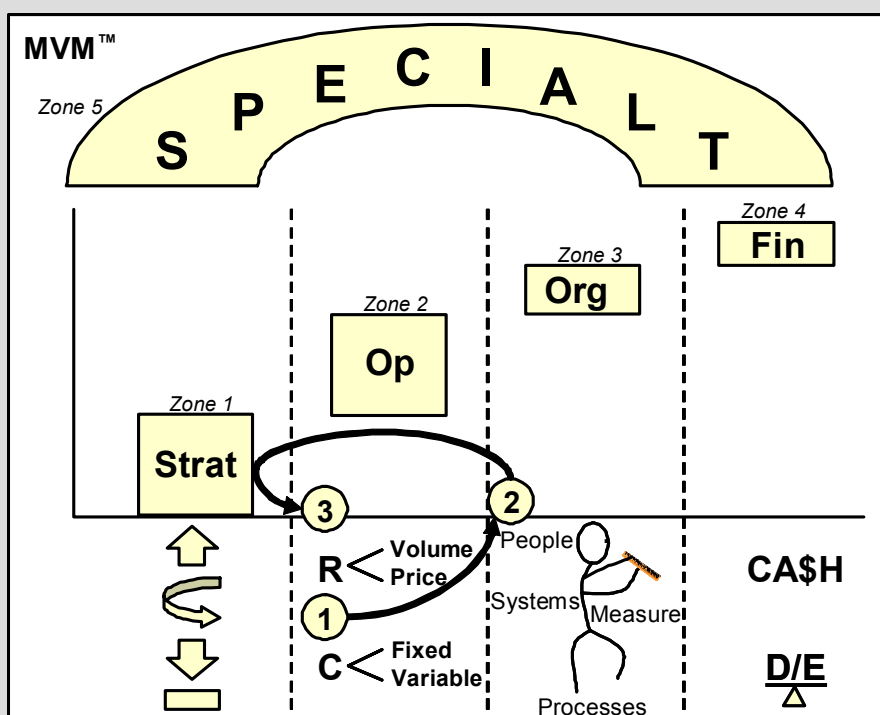
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

F – Form a Plan

- This case is a balance between Zone 2, Organization and Zone 3, Organization. The issue is caused by an External Factor, the economy, but the focus is on revenue, costs and organization structure.
- Sizing up the value of potential reductions and their impact on revenue early in the case will provide structure for the organizational change discussion.



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

- 1. Start in Zone 2, Operations, Costs.** First understand the size of the cost bar and how it relates in proportion to the revenue line. In general, personnel costs will be variable, but FX may believe it needs a "fixed" or minimum set of trainers to do well.
- 2. Move to Zone 3, Organization, People.** Understand the structure of the training staff; then discuss how FX might restructure the staff and their schedules. Relate these new ideas back to the costs.
- 3. Move to Zone 2, Operations, Revenue.** How would changes to the cost bar impact total revenue? Would there be a dip in revenues because the overall "quality of the gym" has declined? Would current members miss having the staff available for personal training and join another gym? Would potential members decide against joining FX if personal training is unavailable?

Candidate Review Sheets

F – Form a Plan (cont.)

Suggested Answers, Diagrams and Behaviors



Good

“There are several steps to getting to a solution here: First, I’d like to review the costs and find out what kind of savings would be achieved by eliminating the trainers. If it is worthwhile, I would next like to understand the structure of the team and see if there are any win/win solutions to keeping people while at the same time reducing costs. Finally, we should try to gauge the revenue impact of our decision about the training staff.”

(You have a simple 3-step approach, but I have no doubt about where we’re headed. I like the clarity of thought and the fact that each step will involve building a factbase, looking at the data and making a conclusion. I’m anxious to see how you’ll do.)

OK

“Costs and revenues go hand in hand here. I would first like to understand the size of the revenues to get a feel for the business and then see how big our costs are. After that we can review some of the implications of making organizational changes.”

(I wouldn’t start with revenues when this is so clearly a cost case. I might have quite a few issues I want you to cover in the cost area and if you spend too much time on revenues, we’ll never get there. As for implications, you could have more specifically tied the trainer costs to the revenue implications. You seem confident, so let’s see where you take it.)

Weak

“Cost and headcount reduction can be messy so we’ll have to be careful. It would be very easy to anger the whole staff or make them jumpy about losing their jobs as well. Can you provide me with the number of trainers and their average salaries?”

(I have no idea where you’re taking this. Unfortunately I don’t think you do either. For all data, try to start broadly and then narrow down your requests. I probably have information about the total cost bar which would be helpful. If you find out how much we pay our staff in total without the broader context, it will tell you very little.)

Self Check



Notes:

☐

MECE (Mutually Exclusive, Collectively Exhaustive)

☐

Bottom line tone

☐

Fluent, not stammering

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Play Chatty Charlie (from Chapter 4) and be willing to help out where necessary. This case was designed to be straightforward, without any curve balls. If the candidate gets stuck, be willing to provide a little data or prodding in the right direction.



Good Reactions/ Body Language:

- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- "Ready to talk" body language, sitting on the front half of the chair, eager to discuss the case

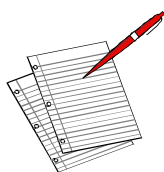
Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in getting set up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position

Self Check



Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Strong confident voice

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

Did you have an initial thought about the trainers? Cut them? Keep them? In either case it is easy to prepare your mind for the upcoming data by forming a quick hypothesis. After you have it firmly in your mind, think about some of the questions you want to ask that would prove or disprove it.

As you work through any case and the elements of your plan, ask questions that help move your insights forward. Like a detective, you are trying to understand what is true. Keep in mind:

- **Simple questions** that help you find data
- **Common sense** about the importance of trainer costs relative to total costs.
- **Big picture thinking** that keeps some of the more important issues in mind (in this case the dropping of membership fees)



Potential Hypotheses

What were your thoughts here? If you are new to forming a hunch, try one of these simple options below. Anchor it in your mind and as you move through your plan ask questions that will help you answer this hunch. Pay close attention to the data, though, as your hunch may be wrong.

Keep the Trainers

"Trainers can't cost that much and it is likely that they earn their keep through special member charges. I bet that their presence is value added to members and is seen as a positive for the gym."

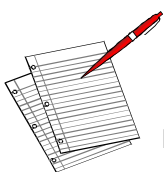
Cut the Trainers

"In my own experience, I never see the trainers adding all that much value. It is unlikely that they are used often and it does seem that there might be some savings potential. I'd like to see the cost data, but I bet there is an opportunity to save some money here."

Optimize the Trainers

"Keeping or cutting is too black and white. I think there are some inefficiencies that we can remove. Also, I think there are benefits to having the trainers on site as they often help train new members and lend an air of professionalism to the gym. I'm planning to find information that will prove their value and their potential for generating more revenue."

Self Check



Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

What kind of questions did you ask? Even though the categories are simple, there are all kinds of questions that one can ask. Consider the following:

Mining Zones

Costs

- What does the total cost bar look like?
 - Total annual costs are \$6.75M
- What portion of costs do the trainers' salaries represent?
 - Trainer salaries are 9% of total costs.
- How much of the cost is for full-time salaries and how much is for part-time salaries?
 - All the trainer salaries are full-time at this point
- At what point will trainers leave due to salary cuts?
 - Most of the trainers are looking to make at least \$30K per year

Revenue

- What is membership revenue?
 - Total annual revenue is \$9.5M
- What portion of it is tied to using a personal trainer?
 - Personal trainer fees amount to 9% of the total revenue.
- What do we know about members and their use of trainers?
 - Some members are heavy users while others never use trainers. All members get one free session with a trainer when they join.
- How many members would leave the gym if trainers were no longer available?
 - We don't have data on how many may potentially leave the gym.

Hybrid Solution

- What portion of the trainer's time is unused?
 - Trainers on average have only two appointments per day (20 days out of the month)
- If we reduce the number of trainers could we still meet demand?
 - It would be easy to meet demand with a reduced number of trainers.
- What risk is there to having fewer, higher quality trainers?
 - Little risk since there are so many trainers who are unutilized.

Math Zone

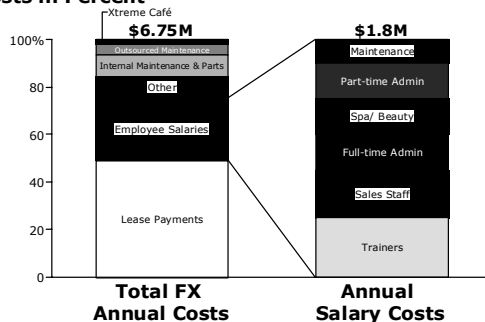
M – Mine for the Answer

Make estimates and round your numbers

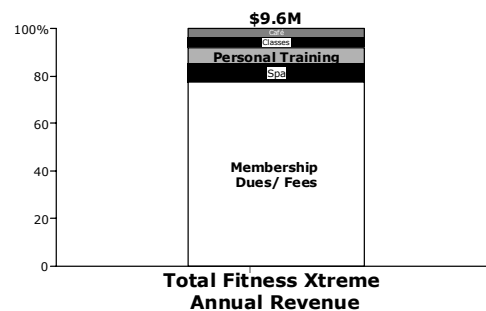
Plot Your Data

- A few 100% bar charts can help you keep the data straight

Costs in Percent



Revenue in Percent



Is management barking up the right tree?

- Within our total cost bar, lease payments is the largest block. Assume it's a fixed cost.
- Employee Salaries is the next largest area, so management is right to focus there.
- Trainer Salaries is the largest item within Salary Costs, and there is no guarantee that they are helping to retain or attract members. We could also look at Sales Staff, but since memberships are down, we don't want to reduce there. Leave the other blocks for additional discussion if there's time.
- For perspective, note that membership dues comprise 80% of revenue. Training fees contributes only 7%.

Quick Insights

- Trainers are a break-even proposition.** Trainers are barely paying for themselves. Without changing their salary structure, we know that their value lies in attracting/retaining members, not generating revenue
- Few members use personal training.** Trainers perform 900 (18 trainers x 2.5 sessions x 20 working days) sessions per month. Since the average trainee meets 2x per week, 450 different people are being trained. That's less than 5% of the 14,000 membership base.
- To be valuable, trainers must be offering other intrinsic value.** Trainers could be adding value by attracting new customers or by giving tips throughout the day that the members appreciate.

Self Check



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Ballparks numbers first

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

E – End the Case

As you neared the end of the case, did you have a clear, data-driven conclusion? The following questions should have been top of mind:

- How do I wrap this up?
- So what's my conclusion? What have I decided to do with the trainers?
- The management team is going to get together in about five minutes and wants to hear my conclusion. What am I going to say?



Good Ending: “Our investment in trainers today represents about 10% of our overall costs, but provides little more than break-even revenue. Since about 1/3 of the trainers’ time is spent on welcoming members and walking the aisles, the real question is whether they are providing some intrinsic value that, when removed, would hurt our revenue. For instance, if all 450 members being trained in one-on-one sessions left, we’d lose about 3% of our annual revenue. Since trainers are only utilized two-thirds of the time, we could reduce the staff by a third. But this would only save about a quarter million in annual revenue. Another idea would be to boost revenue and loyalty by giving away their time or discounting the hourly rate. I recommend we explore these two options.”

(Wow! You have a lot to say, but it is all good. I especially like your data orientation and how you developed a clear recommendation. Good job!)

OK Ending: “Trainers really don’t cost a lot and they seem to provide a necessary welcoming function to new members. We risk making a poor impression on new members if we don’t have them. Since their utilization is at 66%, we could cut a few, but the savings would be minimal. I recommend we focus on boosting membership instead.”

(You answered the question clearly and used data to support your thinking. Your next steps, though, need better support. Good work overall.)

Poor Ending: “Basically the trainers are a nice element, but are adding very little in the way of revenue beyond paying for their own existence. The tricky issue is whether or not members value their presence anyway. I’d keep them.”

(And what exactly were you doing for the last twenty minutes? You didn’t make a lot of progress. Be sure to use data when making your closing statement.)

Self Check
☐
☐

Several clear points
Persuasive

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible



Notes:

Candidate Self Assessment

Planning & Logic

Excellent —————→ *Poor*

1. I had a plan to solve this case.

1	2	3	4	5	6
<i>Very clear</i>			<i>Fuzzy</i>	<i>Not clear at all</i>	

 2. My plan was MECE.
 (Mutually exclusive, collectively exhaustive)

1	2	3	4	5	6
<i>No overlaps and gaps</i>				<i>Several overlaps and full of gaps</i>	

3. I trusted my plan and referred to it often.

1	2	3	4	5	6
<i>Used it, referred to it often</i>				<i>I basically forgot about it</i>	

Communication & Composure

4. I was calm and collected.

1	2	3	4	5	6
<i>Calm, confident and client ready</i>			<i>Off and on nervousness</i>	<i>Sweaty, shaky mess</i>	

5. I carried the discussion well.

1	2	3	4	5	6
<i>Just the right amount of back and forth</i>			<i>Occasionally awkward</i>	<i>I didn't hold the interviewer's attention</i>	

6. I drove the case.

1	2	3	4	5	6
<i>Clearly in control, I took the case to a conclusion</i>			<i>I took control sometimes</i>	<i>Adrift at sea</i>	

Analytics

7. I analyzed the data well on a piece by piece basis.

1	2	3	4	5	6
<i>Quick to insights, no math errors</i>			<i>Slow on the uptake, some math mistakes</i>	<i>Lots of mistakes, I didn't get the insights</i>	

8. I integrated data well and reached insights (saw the big picture).

1	2	3	4	5	6
<i>Quick to "connect the dots" and see how it all ties</i>			<i>I missed some connections</i>	<i>I missed all the linkages between the data</i>	

Recommendation

9. My final recommendation was to the point and data driven.

1	2	3	4	5	6
<i>Used facts and data to back up my thoughts</i>				<i>I tried to solve the case from my gut</i>	

10. I was persuasive in making my final points.

1	2	3	4	5	6
<i>Persuasive points, passion and a bottom-line tone</i>				<i>I couldn't even convince myself, zero passion</i>	

Total Score:
(10-60)

Do this self assessment before asking the interviewer for feedback. How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?

Green Thumb

Green Thumb is having trouble keeping up with the “greening” of America. Environmentalists and the back-to-nature movement threaten to spoil Green Thumb’s dominance in the chemically enhanced lawn market. Can you help management find a future in this changing landscape?

Case Pack: 005

Difficulty (1-5): ★ ★ ★

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 through 6 before beginning the case.

I

Pages
7 - 13

Interviewer

- **Prep time:** This case is rated 3 stars in terms of difficulty and a lot of data. Expect to invest at least **10 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8-9)
 - Data Distribution and Math Zone (no handouts, p. 10-11)
 - Re-routers and Heavy Lifting (p. 12)
 - Candidate's "Mine for the Answer" sheet (p. 18)
- **Giving the Case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 16. Fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
14 - 22

Candidate

- **Working with an interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10 minutes for this case.
- **After the Interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove the data distribution sheet and place it face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with an interviewer who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

Green Thumb, an \$800M US-based lawn and garden supply manufacturer, has been the dominant player in the US lawn fertilizer market for the last 25 years. The company has led this segment through the consistent marketing of a five-step approach to lawn care. GT's focus has been to demystify the art of having a plush, healthy green lawn, setting the "gold standard" for lawn care in the suburbs. Management is worried about a new threat on the horizon—environmentalism. In their view, this threat has three parts: water conservation, "back to nature" landscaping and the anti-chemical movement.

Help management determine how big these threats are, and what GT should do to counter them.

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the Data Distribution sheet. Look at the data and determine how you would integrate it. Develop your insights and present them out loud. When you are done, review the interviewer notes.

Candidate Notes

Math

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Interviewer Fact Sheet

Case Question

Green Thumb, an \$800M US-based lawn and garden supply manufacturer, has been the dominant player in the US lawn fertilizer market for the last 25 years. The company has led this segment through the consistent marketing of a five-step approach to lawn care. GT's focus has been to demystify the art of having a plush, healthy green lawn, setting the "gold standard" for lawn care in the suburbs. Management is worried about a new threat on the horizon—environmentalism. In their view, this threat has three parts: water conservation, "back to nature" landscaping and the anti-chemical movement. Help management determine how big these threats are, and what GT should do to counter them.

A Few Tips from David

- Your Candidate is going to feel overloaded with the data. There are no data handouts yet there is plenty of data you have to give. Expect some frustration with having to write it all down.
- Manage the balance between discussion and framing vs. giving the data. The data is critical to solve the case so don't hold it back if he gets lost. Use the Rerouter questions to keep him on track.

Intro Facts

(Tell the Candidate if Asked)

- **Customer buying patterns:** There is some public attitude survey data on page 11.
- **Causes for revenue decline in California (CA) and Oregon (OR):** We don't know why revenue has dropped off.
- **Competitors:** Everyone is facing the same issues, but Green Thumb is the market leader so competitors will react to whatever Green Thumb does.
- **Research & Development:** Internal R&D at Green Thumb is focused mainly on solving problems through the use of traditional chemicals, not "green" solutions.
- **Marketing:** Recent leadership change in this department has given the marketing team new enthusiasm for growing share.
- **Sales:** Most products are sold in mass market outlets like home improvement centers and hardware stores.

Key Insights

(Do Not Tell the Candidate)

- **Size the Issues First:** To do a good job developing a sense of the size of each issue, the Candidate has to quickly sort through the data. Here's an approach for each of the major categories:
 - For water conservation, use water restriction data.
 - Back to nature landscaping, use percentage of customers changing over.
 - Anti-chemical movement, try to estimate the number of homes cutting back on chemicals.
- **Significance of Threats:** The data shows that the threats are very significant and require a response:
 - 1/3 of our revenue comes from "high awareness" states (of environmentalism).
 - Soon 40% of all communities will have restrictions in place.
 - 1/3 of polled customers want to limit chemical usage.
 - Revenue is dropping in key states like California, which may be attributed to these environmental concerns.

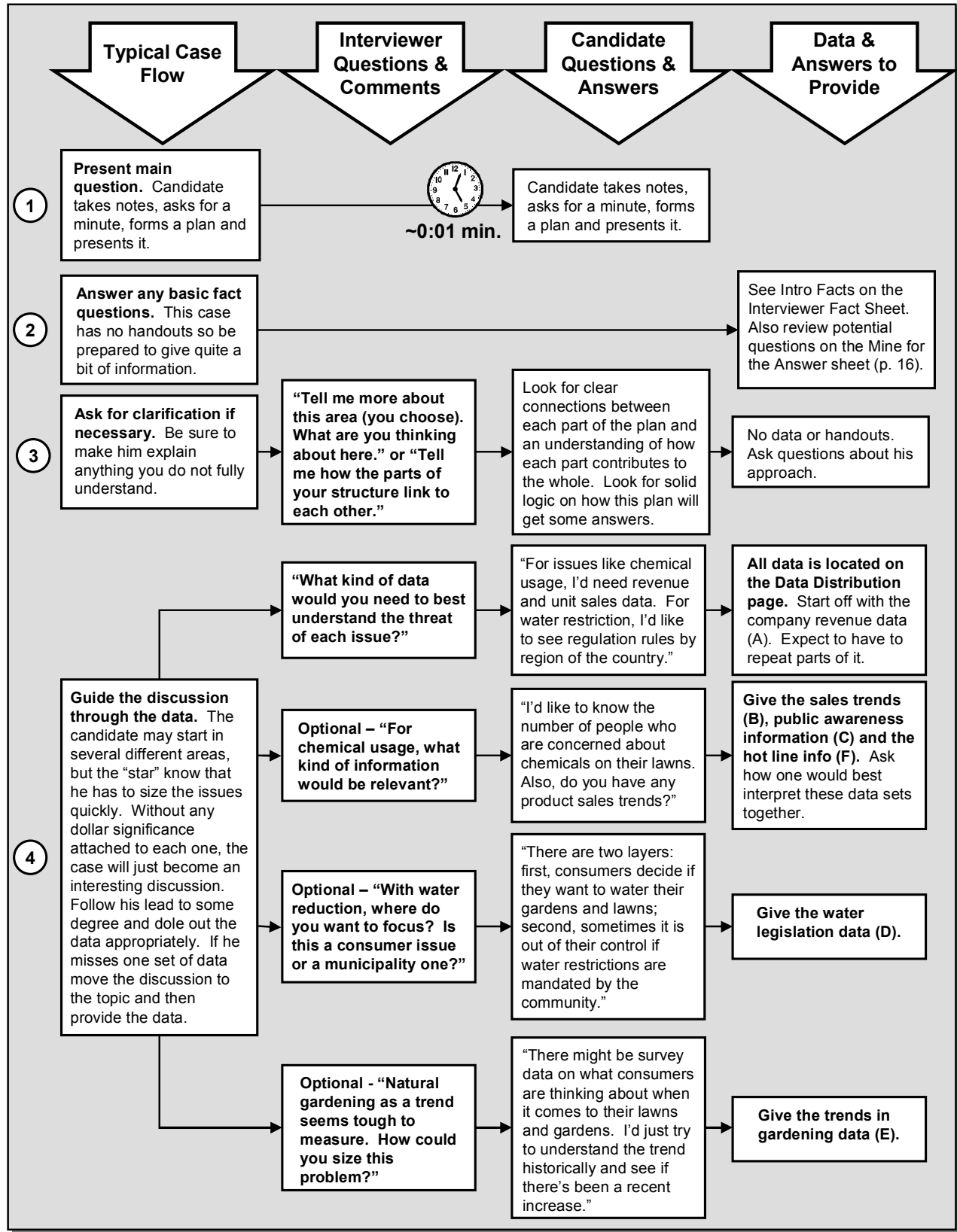
On-Track Indicators

- ✓ **Looks for data to resolve the trends** – asks questions that will help quantify the problems
- ✓ **Pulls out insights** – does a good job of "connecting the dots" among the various sets of data
- ✓ **Creative** – thinks out of the box in an attempt to address these negative trends

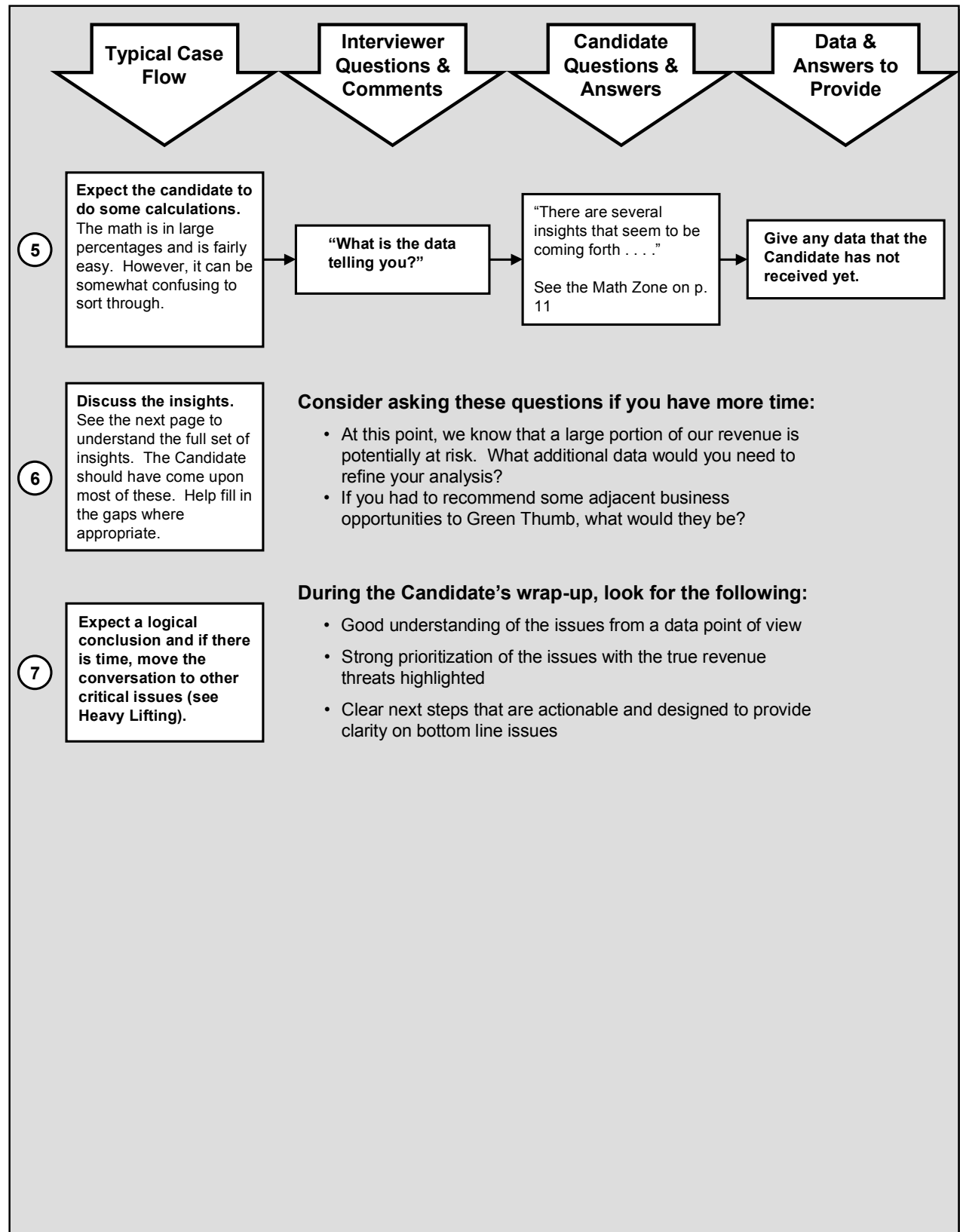
Off-Track Indicators

- ✗ **Avoids getting the data** – these are interesting problems and it would be easy to discuss them in the absence of data
- ✗ **Pushes personal opinion over the facts** – everyone has an opinion about the environment, just don't let it block you from the true facts
- ✗ **Forgets about the next step** – if these are big issues (and they are) then what should Green Thumb do about them?

Case at a Glance



Case at a Glance



Data Distribution

This data is necessary to crack this case. Give it only when asked.

Environmental Trend Impact

- **Public awareness of chemicals and water:**

(C)

- Survey of residents in 50 states found that California (CA), Oregon (OR), Maine (ME), New Hampshire (NH) and Colorado (CO) all show high awareness (>30% of population) of environmental issues. "High Awareness" individuals tended to cut back on chemical and water consumption when maintaining their lawns and gardens.

- **Legislation:**

(D)

- 30% of all communities have water conservation policies in place. Percentage is expected to be 40% in two more years. These policies usually restrict the times lawns can be watered and sometimes the amount of water. Studies have shown that as people water their lawn less they tend to ignore it more, using fewer chemical maintenance products.

- **Public "attitudes toward gardening" survey data:**

(E)

- 35% of respondents want to reduce the amount of chemicals used on their lawn and garden
- 15% want to reduce water consumption in their gardens and yards
- 5% are considering diminishing the size of their lawn. There is no additional survey data.

- **Internal metrics:**

(F)

- Green Thumb Hotline has shown a 50% increase in the number of calls related to chemical content and safety of products. These calls now make up about 40% of all calls.

Revenue by Region and Product Type

(A)

- Sales by Region (Lawn Chemicals, \$560M)

- West Coast 33%
- Central 15%
- Mid-West 30%
- East Coast 22%

- Sales by Product (Total Company Sales, \$800M)

- Lawn Chemicals 70%
- Soils and Mulches 10%
- Flower Chemicals 20%

- Sales by West Coast State

- California 45%
- Oregon 33%
- Washington 22%

- Sales by East Coast State

- New York 40%
- Massachusetts 20%
- Maine 10%
- New Hampshire 5%
- Other 25%

(B)

- Sales Trends (Last 2 years)

- California down 5%
- Colorado down 4%
- Maine down 1%



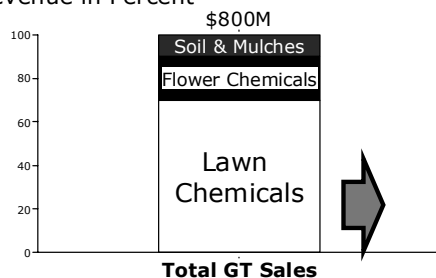
Math Zone

Make estimates and round your numbers

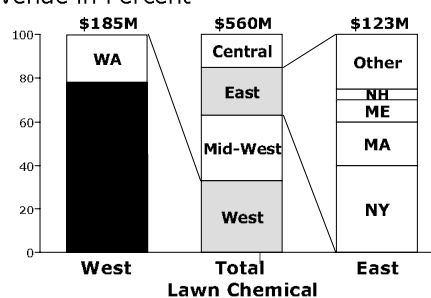
Plot Your Data

- Make simple charts to keep it all organized

Revenue in Percent



Revenue in Percent



Look for Insights

- States that have "High Awareness" to environmental issues include:
 - Oregon and CA: $\sim 80\% \times \$185M = \$148M$
 - Maine and NH: $\sim 15\% \times \$123M = \$18M$
 - Colorado: no data
- Together these represent about 30% ($(\$148 + \$18)/\$560M$) of our chemical sales, which seems like a high percentage to have at risk.

Develop Potential Scenarios

- Overall, Green Thumb must protect its revenue streams.
- **Acquisitions:** Green Thumb has looked into a few small companies that are making advances in the use of safer chemicals for lawns. Management is open to the concept of an acquisition but many of these small companies pride themselves in not being a part of the Green Thumb family. They want to stay independent.
- **New Marketing:** Green Thumb would like to market the safety of their products, but they can't do so until they reformulate them. Management is opposed to any kind of advertisement that cannot be backed up with real data.

Check Implications

- | | |
|---------------------------|---|
| • Water reduction trend? | Serious. Soon 40% of all communities will have restrictions in place. |
| • Chemical awareness? | Serious. Over 30% of states have high awareness of this issue. |
| • Lawn reduction? | Not Serious. The data we have indicates a mere 5% considering it. |
| • Urgency? | High. These percentages are likely to grow rather than shrink. |
| • Sure these will happen? | No. However, large enough issue to explore remedies. |
| • Other indicators? | Hot line, gardening survey and legislation all point the same way. |

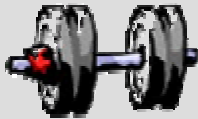
Re-routers and Heavy Lifting



Re-routers

Questions To Keep Things On Track

- ❖ **This is a lot of data. How are you sorting through it all?**
 - Looking for 80/20 insights.
 - Trying to see if our major regions are affected by the adverse trends.
 - Checking for multiple trends occurring in one location.
 - ❖ **Do you think that we should look at these environmental issues as one trend or as separate issues?**
 - Making it one issue can over-simplify the effects and hide areas that are worth exploring. For instance, water consumption should be analyzed separately from the anti-chemical movement, as they may be present in different degrees across geographic areas.
 - ❖ **What additional data would you like to see?**
 - ❖ **How can you make your answer more quantitative?**
-



Heavy Lifting

Questions To Make the Case More Difficult

- ❖ **It turns out that the Total Gardening Survey may have been administered incorrectly and the data is questionable. Does this change your answer?**
 - No. There is still enough evidence (e.g. drops in sales, calls to our hotline) to take the trends seriously.

Interviewer Feedback

Planning & Logic

Excellent \longrightarrow Poor

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					You basically forgot about it

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I'd avoid you at cocktail parties
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion			You took control sometimes, but then let me drive		Adrift at sea

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			You missed some connections		You missed all the linkages between the data

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts					You seemed to solve the case from your gut
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					You couldn't even convince yourself, zero passion

Total Score:
(10-60)

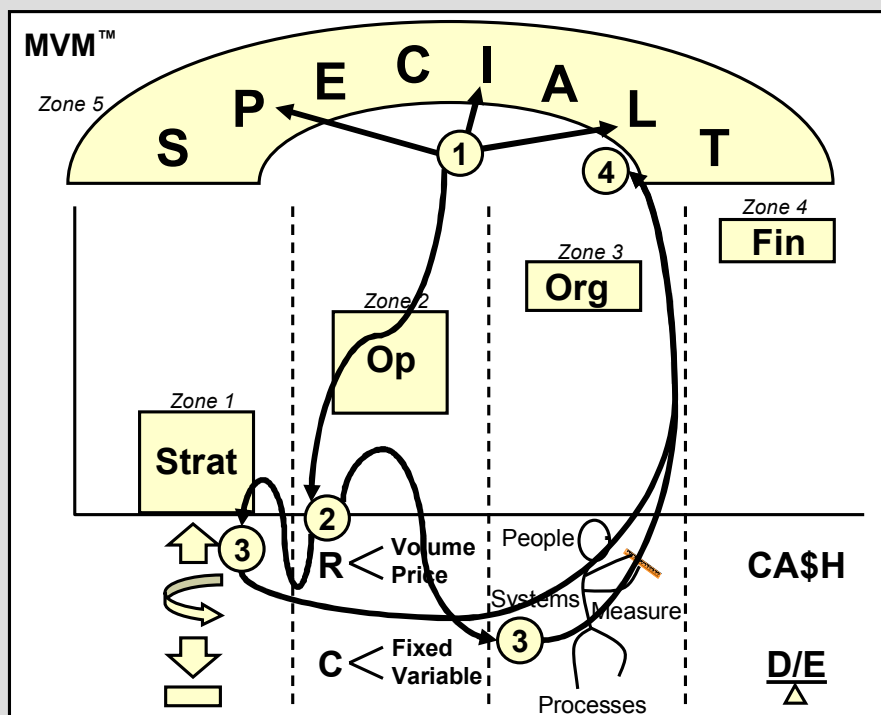
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

F - Form a Plan

- Green Thumb is facing several threats that are somewhat vague in nature. All are Zone 5 trends that could migrate into serious Zone 2 problems and depress revenue.
- You must estimate the extent of each of these problems. This will give management an idea of the short-term impact on the bottom line. It will likely lead to some strategic actions (Zone 1).



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

- 1. Start in Zone 5, External Issues.** Several factors are under consideration. Ask for data on each one to determine the extent of the problems:
 - **Industry** – There is a shift away from chemicals. How many companies have begun to make a change in what they sell?
 - **Public** – Opinion is changing quickly about what makes for an attractive landscape. To what degree have these new trends caught on? Are people really shunning chemicals?
 - **Legislation** – Water restrictions are more common now. How have these pressures forced the homeowners to change their approach?
- 2. Move to Zone 2, Operations.** To what degree will these trends affect our future revenue?
- 3. Move to Zone 1, Strategy or Zone 3, Processes.** Discuss alternate solutions to the problems. Green Thumb may need to acquire a company to help develop “greener” (chemical free) solutions or it may need to change the way it develops new products internally
- 4. Move to Zone 5, Technology.** Explore new, environmentally friendly chemical technologies.

Candidate Review Sheets

F - Form a Plan (cont.)**Suggested Answers, Diagrams and Behaviors**

"I would first like to assess the potential size of each of these problems using the data we have available. Once we have an estimate of the impact and timing of each problem, I would like to understand how each one may affect revenue and costs. If we have time, it would be interesting to explore potential solutions for each of these. Before we begin, is there any one area where you would like me to focus first?"

(Logical path, laid out in a matter of fact manner. I can tell that you have pulled together a roadmap to help us hit all of the issues during our time. I am curious how you are going to measure the size of these issues, but I'm confident you have a plan.)

OK

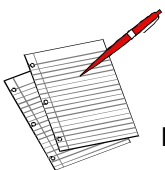
"These three problems should probably be thought of together at first, since the whole trend toward environmentalism will continue in many variations. After we understand this potential threat better, I'd like to discuss how we can combat it."

(At first look this response seem very similar to the "good" one except that you chose to lump the issues into one – bad idea. If they were laid out separately the interviewer probably wants you to keep them that way. Be sure to push us in the right direction with a lead question or a statement about where we can go next.)

Weak

"Environmentalism is a big deal in many industries now, so it will be important for Green Thumb to understand these trends. Dealing with the anti-chemical movement first seems to be the most important since marketing chemicals is Green Thumb's main business. What data do you have on the decline of Green Thumb's sales and whether it was caused by this trend?"

(You definitely jumped on a hypothesis quickly. I like how you want to move to some facts, but be careful about the assumptions right out of the gate. You have narrowed the trends to one rather quickly, based mainly on your own personal opinion. It is good to assert, but you should highlight a few other areas to explore first.)

Self Check

Notes:

☐

MECE (Mutually Exclusive, Collectively Exhaustive)

☐

Bottom line tone

☐

Fluent, not stammering

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Play the Silent Partner role and see how the candidate responds. Give data when asked but do not overwhelm him with additional facts or “free” information. Silence is an excellent test of the candidate’s confidence and ability to stay calm.

There are many facts to give in the Data Distribution section (page 11), so if the candidate is not asking enough questions to move the case forward, you can offer up some data.

**Good Reactions/ Body Language:**

- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- “Ready to talk” body language, sitting on the front half of the chair, eager to discuss the case

Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in getting set up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position

Self Check

Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Strong confident voice

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

Did you have any hunches here?
Thinking ahead about the data you might need or anticipating what the interviewer will give you, will help you solve the case. Since you know this case is about potential threats, you should mentally prepare to talk about the bottom line impact and what GT can do. By planning to get the data and return to these topics, you can keep the interview at the right level. Keep in mind:

- **Logical thinking** that focuses on understanding the trends and their potential impact
- **Common sense** about how quickly the trends will affect revenue
- **Big picture thinking** that turns the discussion back to next steps like acquisitions or new R&D

**Potential Hypotheses**

Did you have any hunches here? When a case topic is unfamiliar, stick to a “yes/no” format. In this case, either the threats are real or they are not. Positioning your mind ahead of time in one of those zones will help you anticipate the data.

These Threats are Real and Big

“Since GT has a good understanding of the industry, it is likely that their sources are accurate. I bet they’ll have to refocus their business and explore new products and potentially new channels.”

These Trends are No Problem

“Similar changes have occurred through the years but GT probably didn’t have to change their business too much. They should continue to monitor the situation but change the business focus cautiously and carefully.”

Self Check

Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

As you worked your way through the data, where were you looking for answers? Understanding the reality of the threat and GT's ability to respond are two common sense areas. You may have explored additional topics.

Mining Zones

Reality of Threat

- In what regions have these trends already affected revenue?
 - Western states are leading in terms of water restriction and more public awareness
- What percentage of our customers want "green" chemicals?
 - California and Colorado sales have declined
- How about low water-use yards?
 - Recent polls indicate that 35% want to "reduce chemical usage" and 15% want to "reduce water consumption"
- How about eliminating yards?
 - Only 5% are considering "greatly diminishing the size of their lawn"

Revenue Impact

- Where in the country are legislators most concerned about green issues?
 - Western states have the largest number of current/proposed laws
- What kind of legislation will affect our sales?
 - Water restriction would have the largest impact on revenue
- Where has customer opinion begun to change?
 - Customer opinion toward "green" is growing in CA, OR, NH, ME and CO
- How much will those changes influence buying patterns?
 - These states together represent 40% of sales

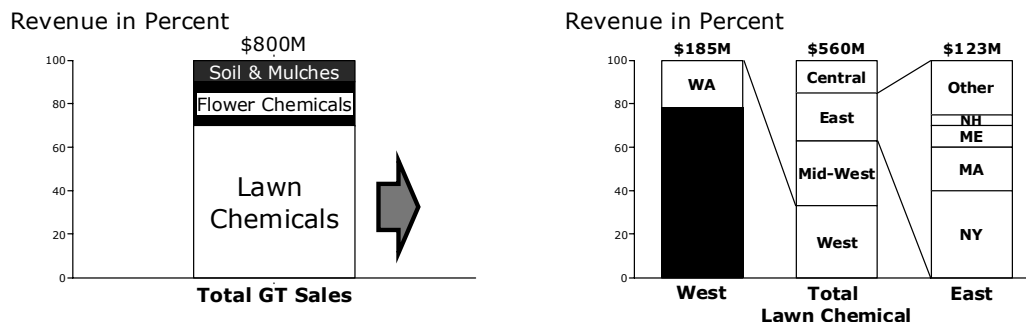
Ability to Respond

- Who is more advanced than GT in developing green solutions?
 - A few, small companies are using new technology and greener chemicals
- What companies could GT acquire or form a joint venture?
 - Some of these small ones may be easily acquired
- How should GT market its products to align better with green philosophies?
 - Any slight reduction in hazardous chemicals should be heavily marketed
- Are there any other products GT should begin to develop?
 - GT explored "desert-scape" products like mulches and soils but margins are much smaller than chemicals

Math Zone

M – Mine for the Answer***Make estimates and round your numbers*****Plot Your Data**

- Make simple charts to keep it all organized

**Look for Insights**

- States that have “High Awareness” to environmental issues include:
 - Oregon and CA: $\sim 80\% \times \$185M = \$148M$
 - Maine and NH: $\sim 15\% \times \$123M = \$18M$
 - Colorado: no data
- Together these represent about 30% $((\$148 + \$18)/\$560M)$ of our chemical sales, which seems like a high percentage to have at risk.

Check Implications

- Water reduction trend? Serious. Soon 40% of all communities will have restrictions in place.
- Chemical awareness? Serious. Over 30% of states have high awareness of this issue.
- Lawn reduction? Not Serious. The data we have indicates a mere 5% considering it.
- Urgency? High. These percentages are likely to grow rather than shrink.
- Sure thing? No. However, large enough issue to explore remedies.
- Other indicators? Hot line, gardening survey and legislation all point the same way.

Develop Scenarios

Overall, Green Thumb must protect its revenue streams.

- **Acquisitions:** Green Thumb has looked into a few small companies that are making advances in the use of safer chemicals for lawns. Management is open to the concept of an acquisition but many of these small companies pride themselves in not being a part of the Green Thumb family. They want to stay independent.
- **New Marketing:** Green Thumb would like to market the safety of their products, but they can't do so until they reformulate them. Management is opposed to any kind of advertisement that cannot be backed up with real data.

Candidate Review Sheets

M – Mine for the Answer

Potential Options

Here are some ideas that you could have considered. Your most important actions should center on protecting the revenue streams.

- **Develop less harsh chemicals for managing the lawn.**
 - Green Thumb has looked into this option. They have found a few small companies that are developing “greener” options. If these chemicals can be commercialized they will increase the overall expense of production?
 - If chemical costs go up how would you determine if these new chemicals are worth the investment?
- **Explore selling more non-chemical products**
 - Green Thumb has already entered the mulch and soil business. Margins from these products are not as high as for chemicals (no details on margins available). The company would consider creating other products like sprinklers, lawn ornaments and decorative materials like rocks and additional mulches but is concerned about moving away from its core business—chemicals. What products, if any, do you think they should pursue?
 - When you consider Green Thumb’s customers, what types of new products do you think they will want?

Self Check



Notes:

- | | | |
|---|---|---|
| <input type="checkbox"/> Data oriented | <input type="checkbox"/> Quick to interpret | <input type="checkbox"/> Collaborative style |
| <input type="checkbox"/> Facile with numbers | <input type="checkbox"/> Questions are specific | <input type="checkbox"/> Explains gut check |
| <input type="checkbox"/> Focused, not flustered | <input type="checkbox"/> Nimble thinker | <input type="checkbox"/> Ball parks numbers first |

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

E – End the Case

What was your final conclusion? This should come within 5 minutes of the end of the interview so that you have time to discuss it. Keep these in mind as you conclude any case:

- How would I wrap this up?
- So what's my conclusion? Am I answering the main question?
- What's my short "elevator" summary? If I had to sum up what I know in 30 seconds, what would I say?



Good Ending: "In sum, these issues are serious: 1/3 of our revenue comes from high awareness states, legislation to limit watering is increasing and about 1/3 of polled customers want to limit chemical usage. We are also seeing revenue drops in key states like California, which may be attributed to these environmental concerns. I recommend we focus on two areas: 1. Build relationships with acquisition targets and find a way to partner with them; 2. Market our push toward "green" solutions and our concern for the environment. As for next steps, I'd would pursue further analysis of the drivers of revenue decline in our key states."

(Good use of data to pull together your thoughts. Your closing logic and action-oriented tone leave a very strong impression.)

OK Ending: "It is pretty clear from the data that these environmental risks are big and growing. Continued pressure from the communities to reduce water, coupled with increasing sensitivity to using chemicals, leaves us somewhat vulnerable. At this point the lawn reduction trend seems small. Since almost 1/3 of our revenue is in states where these issues are important, we should consider protecting our overall revenue by pursuing new products."

(At first this seems like a good response but upon further inspection, it has no teeth. This doesn't tell us anything that we didn't already know aside from the 1/3 of revenue comment. Add data, data, data!)

Poor Ending: "With so much going on in the industry it will be important to stick to what we do best, which is create and market chemicals. We may lose some customers to environmentalism, but overall it is not a clear threat. We should continue to watch it and try to pursue newer safer chemicals over time."

(You did not address the concerns directly and opted for the risky "do nothing" approach without much data to support your thinking. Overall, it seems like you missed the urgency of the situation.)

Self Check
☐
☐

Several clear points
Persuasive

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible



Notes:

Candidate Self Assessment

Planning & Logic

Excellent —————→ *Poor*

1. I had a plan to solve this case.

1	2	3	4	5	6
Very clear			Fuzzy		Not clear at all

2. My plan was MECE.
(Mutually exclusive, collectively exhaustive)

1	2	3	4	5	6
No overlaps and gaps			Several overlaps and full of gaps		

3. I trusted my plan and referred to it often.

1	2	3	4	5	6
Used it, referred to it often				I basically forgot about it	

Communication & Composure

4. I was calm and collected.

1	2	3	4	5	6
Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess

5. I carried the discussion well.

1	2	3	4	5	6
Just the right amount of back and forth			Occasionally awkward		I didn't hold the interviewer's attention

6. I drove the case.

1	2	3	4	5	6
Clearly in control, I took the case to a conclusion			I took control sometimes		Adrift at sea

Analytics

7. I analyzed the data well on a piece by piece basis.

1	2	3	4	5	6
Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, I didn't get the insights

8. I integrated data well and reached insights (saw the big picture).

1	2	3	4	5	6
Quick to "connect the dots" and see how it all ties			I missed some connections		I missed all the linkages between the data

Recommendation

9. My final recommendation was to the point and data driven.

1	2	3	4	5	6
Used facts and data to back up my thoughts				I tried to solve the case from my gut	

10. I was persuasive in making my final points.

1	2	3	4	5	6
Persuasive points, passion and a bottom-line tone				I couldn't even convince myself, zero passion	

Total Score:
(10-60)

Do this self assessment before asking the interviewer for feedback. How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?

Noble Line Travel

“Travel the World Like Royalty” has been Noble Line’s motto for the last ten years. But will the harsh reality of terrorism, video conferencing and corporate budget cuts finally catch up with their grandiose ways? Help is on the way . . .

Case Pack: 006

Difficulty (1-5): ★ ★ ★

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 through 6 before beginning the case.

I

Pages
7 - 22

Interviewer

- **Prep time:** This case is rated 3 stars in terms of difficulty and has few complexities. Expect to invest at least **10 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8-9)
 - Math Zone (p. 10)
 - Handout Guide (p. 11-20)
 - Re-routers and Heavy Lifting (p. 21)
 - Candidate's "Mine for the Answer" sheet (p. 27)
- **Giving the Case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 25. Fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
23-30

Candidate

- **Working with an interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10 minutes for this case.
- **After the Interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove any data handouts and place them face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with an interviewer who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

Noble Line Travel (NLT) is one of the largest travel agencies in the US. Their main focus is business travel; they do not book any leisure travel. NLT's customer base comprises medium- to large-sized companies, whom they serve with on-site agents or through a call center. NLT is facing declining profits due to the general reduction in business travel. There is also a rumor that airlines may reduce or eliminate the commission they pay travel agencies.

How can NLT increase its profits?

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer notes.

Candidate Notes

Math

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Interviewer Fact Sheet

Case Question

Noble Line Travel (NLT) is one of the largest travel agencies in the US. Their main focus is business travel; they do not book any leisure travel. NLT's customer base comprises medium- to large-sized companies, whom they serve with on-site agents or through a call center. NLT is facing declining profits due to the general reduction in business travel. There is also a rumor that airlines may reduce or eliminate the commission they pay travel agencies. How can NLT increase its profits?

A Few Tips from David

- Here is a classic case where a simple revenue and cost structure will suffice. Most people get caught up over-analyzing the cost data even though it has little impact on the bottom line.
- A great question to ask at the end is "If you could focus your team on only one area, revenue increases or cost reductions, which one would you pick and why?"

Intro Facts

(Tell the Candidate if Asked)

- **Major assumption:** Airlines still pay commissions regardless of today's current practices. Otherwise all other current trends in travel are applicable.
- **Commission rate:** Stress that these rates are set by country of origin for all flights. They vary by country. The US rate is 10%.
- **Leisure travel business:** Management does not want to pursue this option.
- **Service line:** Basic airplane reservations are about 90% of NLT's business.
- **Locations:** Over 500 agents in "travel departments" of customers; 3 call centers (East, Mid, West).
- **Financial targets:** Management needs to know whether NLT can survive profitably in this industry.
- **Competitors:** Some are out-performing NLT due to more international travel.
- **Suppliers:** Airlines "supply" the travel routes and pay a commission on each ticket sold.
- **Government/ Legislation:** No barriers or legislation at this time.

Key Insights

(Do Not Tell the Candidate)

- **Revenue Calculation:** Revenue = ticket volume x price x commission rate (the portion of the ticket price NLT receives). Lines four and five on Handout B only come into play if they ask additional questions at the end (see Heavy Lifting).
- **Revenue Drivers:** Commission and ticket price have a big impact on overall revenue. The commission varies by country of origin with many European countries having commissions over 10%. Also, long distance tickets are usually more per unit when compared to domestic tickets.
- **Costs:** There are few variables you can push on here to make a significant difference. Increasing ticket price is the most critical action one can take.
- **Profit:** Competitors are clearly making more profit than NLT. Refocusing the business is the solution if NLT wants to increase profit.

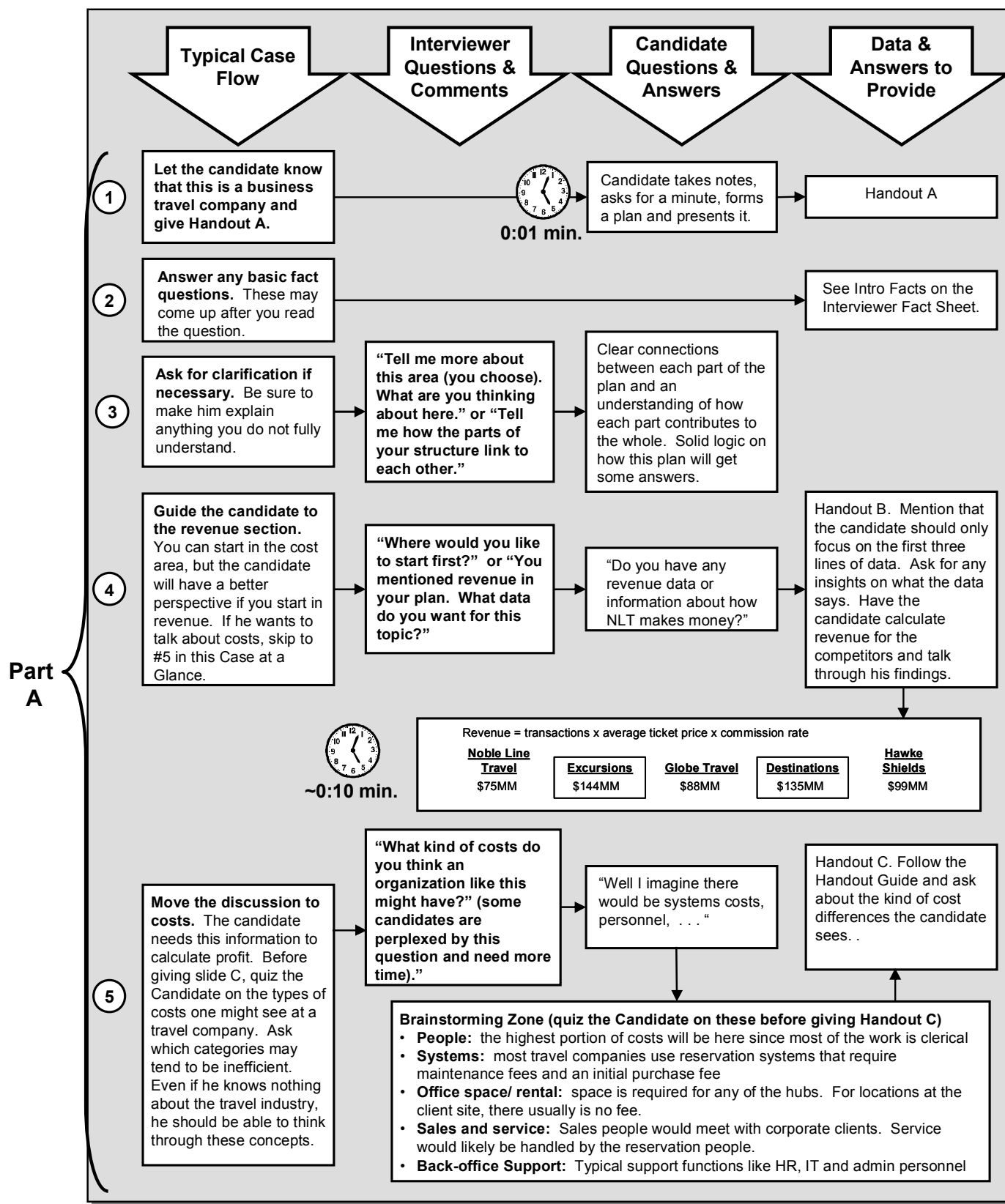
On-Track Indicators

- ✓ **Data driven** – asks for sales or cost information early in the case
- ✓ **Pulls out insights** – each handout has several insights necessary to reach a solid conclusion
- ✓ **Creative** - discusses new opportunities to increase revenue that are creative, relevant and actionable

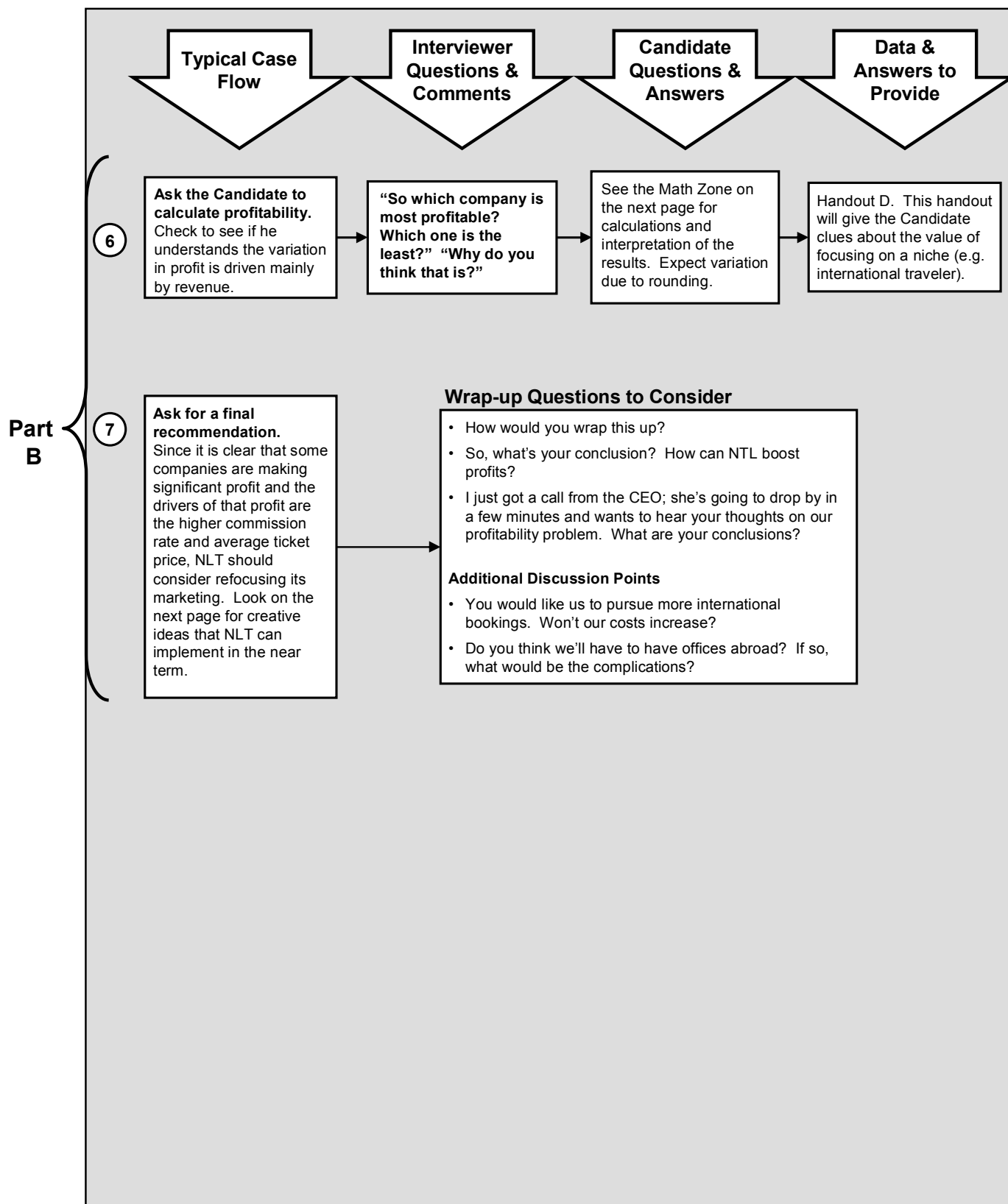
Off-Track Indicators

- ✗ **Experience first** – talks about all the changing trends in the travel industry and relies on personal experience and general knowledge to try to solve this case
- ✗ **Starts with costs** – with profit maximization cases, start with revenue to understand how the company makes money
- ✗ **Misses the importance of commission** – miscalculates revenue due to misunderstanding the revenue equation

Case at a Glance



Case at a Glance



Candidate Review Sheets

Math Zone

Calculate Revenue

Revenue = transactions x average ticket price x commission rate

<u>Noble Line Travel</u> \$75MM	<u>Excursions</u> \$144MM	<u>Globe Travel</u> \$88MM	<u>Destinations</u> \$135MM	<u>Hawke Shields</u> \$99MM
↓	↓	↓	↓	↓
Calculate Profit				
\$13.5MM	\$68MM	\$47MM	\$24MM	\$19MM

Profit = Total revenue – Total costs (cost x volume)

Interpret the Numbers

- Excursions and Destinations have high revenue but for different reasons. Excursions had above average volume, the highest commission rate and above average ticket price. Destinations' success is all about volume.
- So Excursions' high profit makes some sense. But what about Globe Travel? What makes it so profitable? Basically, it is the ticket price. With an average ticket price of \$800, almost double NLT's, and costs in line with the others, their additional commission goes to the bottom line.

Think of Ways to Increase the Business

- Since there is a high correlation between high profit and high ticket price, looking for ways to increase the ticket price seems like a good idea. International flights command higher ticket prices. Also, the commission rates are higher in many countries of origin. (See Market Focus by Competitors – Handout D.)
- As for costs, the narrow spread between the best company and the worst company indicates that there probably is not a lot of opportunity.
- Increasing ticket price by 20% for NLT would result in \$15M of additional profit. $500 \times 1.2 = \$600$ (new average ticket price) $\times 10\% = \$60$ revenue - \$41 cost = \$19 profit per ticket or \$28.5 M total.

Feedback



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Updates hypothesis

Handout Guide

Overview

- Noble Line Travel is a travel agency with three divisions: corporate travel and two others
- Corporate travel agencies have two types of sites: offices at their customers (e.g. IBM travel department) and reservation sites throughout the world
- Noble Line is ranked fifth in terms of revenues but they do not know how their profits compare to their competitors
- Several employees have discussed starting a union, but only in certain regions
- Customers like Noble Line's quality and service but perceive them to be expensive
- Airlines are considering eliminating the commission structure on ticket sales, a trend that makes Noble Line uncertain about its future

How can Noble Line Travel increase profitability in this changing industry?

Interviewer:

After verbally giving the problem, hand him/her this sheet and ask him/her to review it. S/he can start the case when ready.

Candidate:

What about the other two divisions? ("ignore these for now")
When will the commissions be cut? ("it's just a potential issue for now")

Main Insight:

This is a profit maximization case, so stay focused on revenue and costs.

Candidate got the insight?: ☐ Yes ☐ No

Sales by Competitor

	Noble Line Travel	Excursions	Globe Travel	Destinations	Surrey Inc.
Transactions Per Year	1.5 MM	2MM	1MM	3MM	2MM
Average Ticket Price	\$500	\$600	\$800	\$450	\$550
Commissions Per Ticket	10%	12%	11%	10%	9%
Overhead / Fee Per Ticket	1MM/\$5	1.9MM/\$7	900K/\$5	3.5MM/\$6	1.8MM/\$5
Management Fee	\$55	\$43	\$45	\$48	\$50

Candidate:

Do you have any sales information?

Interviewer:

Here's sales information by competitor. What jumps out at you as you look this over?

You Must Say:

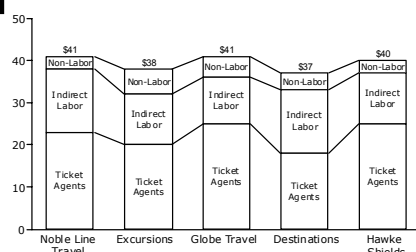
Calculate revenue for me. Please only use the top 3 lines. What's driving the revenue for Excursions? Others?

Main Insight:

No single driver, but key elements are price and volume.

Candidate got the insight?: ☐ Yes ☐ No

Costs per Ticket



Candidate:

Do you have any cost information?

Interviewer:

I only have it on a per ticket basis. What are your thoughts here?

You Must Ask:

Which costs seem to have the most impact? Who is leading in terms of cost control or economies of scale?

Main Insight:

Spread between lowest cost per ticket and highest is \$4. A \$40 ticket price increase at 10% achieves the same profit increase for less effort.

Candidate got the insight?: ☐ Yes ☐ No

Market Focus and Image by Competitors

	Noble Line Travel	Excursions	Globe Travel	Destinations	Hawke Shields
Regional, short flights	Yes	No	No	Yes	Yes
National Domestic	Yes	Yes	Yes	Yes	Yes
International	Rarely	Yes	Yes	Rarely	Rarely
Public Perception	High Priced	Sophisticated experienced	International expert	Quick service	1.8MM/\$5
Industry Inside Perspective	Good with service, technically behind	Premium player with great client list	Leader in global alliances	Gets the job done, no frills	Average on all dimensions

Candidate:

Do we know anything about the market focus of each company?

Interviewer:

Here's some qualitative info a consultant put together quickly. What can you infer about each player?

Main Insight:

Regional players make less money. Those that book international flights are getting higher commission rates. Flights originating from certain countries must pay more than the US rate of 10%.

Candidate got the insight?: ☐ Yes ☐ No

Overview

- Noble Line Travel is a travel agency with three divisions: corporate travel and two others
- Corporate travel agencies have two types of sites: offices at their customers (e.g. IBM travel department) and reservation sites throughout the world
- Noble Line is ranked fifth in terms of revenues but they do not know how their profits compare to their competitors
- Several employees have discussed starting a union, but only in certain regions
- Customers like Noble Line's quality and service but perceive them to be expensive
- Airlines are considering eliminating the commission structure on ticket sales, a trend that makes Noble Line uncertain about its future



How can Noble Line Travel increase profitability in this changing industry?

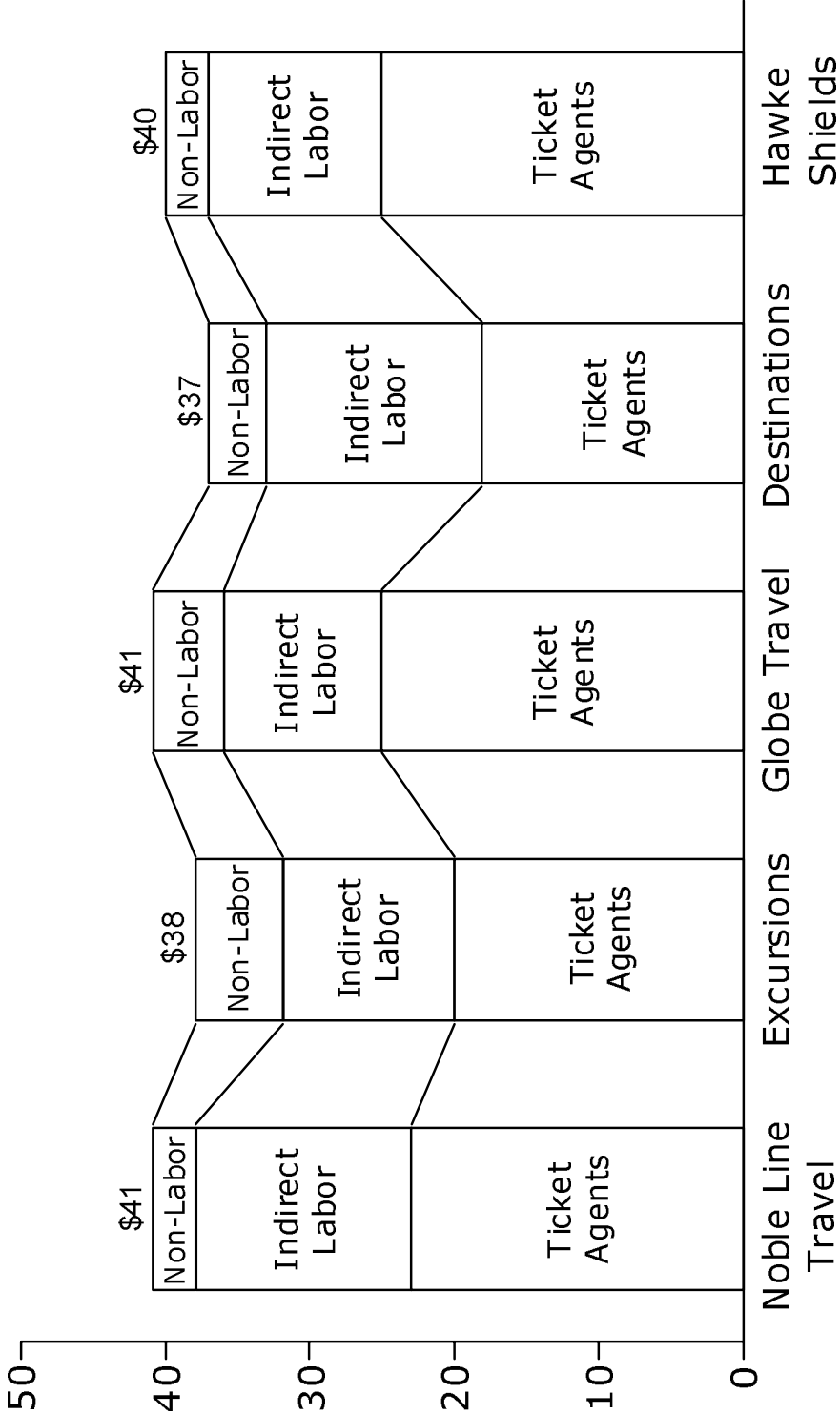
HANDOUT B

Sales by Competitor

	<u>Noble Line Travel</u>	<u>Excursions</u>	<u>Globe Travel</u>	<u>Destinations</u>	<u>Hawke Shields</u>
Transactions Per Year	1.5 MM	2MM	1MM	3MM	2MM
Average Ticket Price	\$500	\$600	\$800	\$450	\$550
Commissions Per Ticket	10%	12%	11%	10%	9%
Override / Fee Per Ticket	1MM/\$5	1.9MM/\$7	900K/\$5	3.5MM/\$6	1.8MM/\$5
Management Fee	\$55	\$43	\$45	\$48	\$50

HANDOUT C

Costs per Ticket

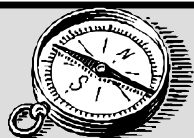


HANDOUT D

Market Focus and Image by Competitors

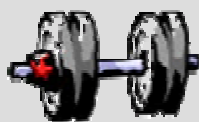
	<u>Noble Line Travel</u>	<u>Excursions</u>	<u>Globe Travel</u>	<u>Destinations</u>	<u>Hawke Shields</u>
Regional, short flights	Yes	No	No	Yes	Yes
National Domestic	Yes	Yes	Yes	Yes	Yes
International	Rarely	Yes	Yes	Rarely	Rarely
Public Perception	High Priced	Sophisticated, experienced	International expert	Quick service	Mid-priced
Industry Inside Perspective	Good with service, technically behind	Premium player with great client list	Leader in global alliances	Gets the job done, no frills	Average on all dimensions

Re-routers and Heavy Lifting



Re-routers **Questions To Keep Things On Track**

- ❖ **How do you think a travel agency makes money?**
 - Small commissions for each transaction
 - Additional commissions for services like booking hotels, cars, business meetings, conventions and side trips
 - ❖ **What do you think would be in the indirect labor category?**
 - Any labor that is not a ticket agent (e.g. corporate support functions like marketing and IT and agent supervisors)
 - ❖ **What can you infer about the total costs per ticket when you look at all of the competitors?**
 - Either cost cutting is over and most of the firms are lean, or all of the firms are relatively high, and additional cost savings are available.
 - ❖ **If you and your team could focus on improving only one area, revenue or cost reduction, what would you do and why?**
 - Revenue, because it is easier and has more upside. Even with major, difficult cost reductions, savings would most likely pale.
-



Heavy Lifting **Questions To Make the Case More Difficult**

- ❖ **Imagine that commissions don't exist. Instead, for each ticket sold NLT gets a flat management fee (bottom line, sales slide). How would your answer change?**
 - Noble Line Travel would be in great shape at first since we receive the highest flat fee. However, competitors would eventually steal NLT's customers by offering lower prices.
- ❖ **What do you think would be in the indirect labor category?**
 - Any labor that is not a ticket agent. For instance, corporate support functions like marketing and IT and agent supervisors.
- ❖ **What can you infer about the total costs per ticket when you look across all of the competitors?**
 - Either cost cutting is over and most of the firms are lean or all of the firms are relatively high and additional cost savings are available.

Interviewer Feedback

Planning & Logic

Excellent \longrightarrow Poor

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					You basically forgot about it

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready		Off and on nervousness		Sweaty, shaky mess	
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth		Occasionally awkward		I'd avoid you at cocktail parties	
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion		You took control sometimes, but then let me drive		Adrift at sea	

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors		Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights	
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties		You missed some connections		You missed all the linkages between the data	

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts				You seemed to solve the case from your gut	
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone				You couldn't even convince yourself, zero passion	

Total Score:
(10-60)

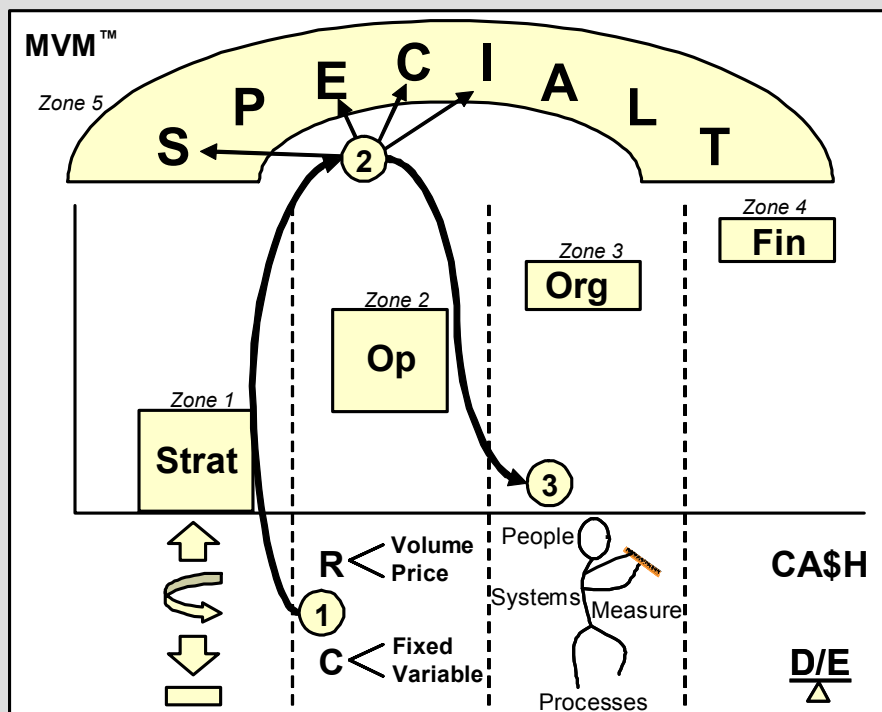
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

F – Form a Plan

- This is a basic profit maximization case that starts in Operations with revenue and cost analysis.
- Your candidate should lay out a plan that begins with the profit equation but explores other issues to determine how to increase profit.
- Look for the candidate to have a data driven understanding of NLT's profit vs. their competitors' within about 15 minutes of beginning the case.



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

1. **Start in Zone 2, Operations.** Break profit into revenue and costs. Determine which one will be the biggest driver of increased profit (the main question of the case).
2. **Move to Zone 5, External Factors.** Consider how NLT can increase profit:
 - Competitors – What is their overall margin? Are they succeeding? How?
 - Suppliers – What are the airlines' plans for the near future and the long term?
 - Industry – What other barriers exist in this industry? What about in foreign countries?
 - Economy – What additional barriers may exist due to slow economic times?
3. **Finish in Zone 3 with People.** Can NLT provide the kind of leadership and manpower necessary to carry out new initiatives?

Candidate Review Sheets

F – Form a Plan (cont.)

Suggested Answers, Diagrams and Behaviors



Good

"Since Noble Line Travel wants to increase profit, I want to review both revenue and costs to determine which one will give us the most bottom-line impact. If it is revenue, I'll want to explore new ways to increase business, looking to customers and competitors for clues. If it is costs, we'll need to see what can be done feasibly to reduce them. I would like to begin with any revenue data you have, unless you would prefer that we discuss another area first."

(You stayed focused on profit maximization and let me know you understand all the levers that matter in a case like this.)

OK

"Profit maximization is simple: revenue minus costs. There are so many factors changing right now in this industry that increasing revenue will be kind of tough, but of course we'll have to see what the data says. Also, I would like to better understand what competitors are doing and whether there are any additional barriers in the industry. Do you have any revenue information?"

(I know from the first sentence that you understand profit maximization, but don't solve the case yet by saying that "increasing revenue will be tough." Let's see what the data says first.)

Weak

"Everyone knows that this is not the time to increase the top line in the travel industry. So to maximize profit I want to look at Noble Line Travel's cost structure. Do you have any data on it?"

(Oh boy, you're going to be hard to redirect. You are assuming that one branch of the equation does not matter. If I ask you to first consider revenue, I'll give away a major hint. Instead I'll hand you the cost slide and see if you can turn this case around.)

Self Check



Notes:

☐

MECE (Mutually Exclusive, Collectively Exhaustive)

☐

Bottom line tone

☐

Fluent, not stammering

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Play the Senior Partner role outlined in the book. Ask for insights often and see if the candidate can synthesize his/her understanding as you move along:

- What does the data tell you?
- How does your point relate to what we talked about earlier?
- What is the main question we are trying to answer? How does what you just said relate to that question?
- If you did run into roadblocks in this area, what would be our options?
- Give me your one minute summary of what you want to do.

**Good Reactions/ Body Language:**

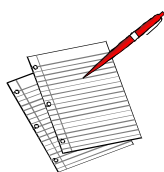
- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- "Ready to talk" body language, sitting on the front half of the chair, eager to discuss the case

Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in getting set up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position

Self Check

Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Strong confident voice

Interviewer Notes and Answers

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

When you heard this problem, what were you thinking? With a profit case you know that you'll be digging into revenue and costs. Even if you don't have a hunch early on, keep the following in mind as you work through the elements of your plan.

- **Logical thinking** that includes revenue and cost drivers first
- **Common sense** about how a travel agency makes money and what it can do to increase profit
- **Big picture thinking** that returns to some of the macro issues like the potential to lose commissions



Potential Hypotheses

A hypothesis structure can be helpful even in a case where you think you need to see the data first. By anticipating one or two issues a company may have, you give yourself a focus for your questions. For instance, by thinking about scale, as shown below, you have “turned your mind on” and readied it for the data. The data may give you a different answer than expected, but that is a beauty of a hypothesis. The data will prove it or disprove it.

Scale is the Issue

“Since NLT is fifth in terms of revenue, they are probably missing out on some scale advantages that larger organizations have. If they can't replicate these scale opportunities, I'll look for ways to be more profitable in their niche.”

Costs

“Costs may be out of control which could be hampering bottom line profit. I want to make sure I understand the basic fixed and variable costs and the drivers that could be increasing them.”

Revenue

“These companies probably differentiate themselves by going after different segments. I want to make sure we are going after the most profitable corporate clients.”

Self Check



Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

What kind of questions did you ask? Usually it takes 2-3 questions per topic to uncover what is really happening. See how many you asked during the case.

Mining Zones**Revenue & Costs**

- What is the revenue of each company? Who is making more money?

- Calculate revenue by taking transactions x average ticket price x commission rate

- Which variable is the biggest driver?

- No one variable is dominant

- Who has higher costs per ticket?

- Excursions (highest commission rate) and Destinations (highest volume) are leading

- Who has benefited from scale? Should we focus on cost reductions?

- Cost reduction provides little profit leverage compared to revenue

Specific Markets

- How are some companies earning more revenue than others? What are the various niches?

- Handout D shows that companies who focus on international travel tend to do better

- Which niche seems to be offering the most revenue? Are there correlating increases in cost with these markets?

- Regional transportation keeps the average ticket price low and the commission rate at 10% (US rate)

Entering New Space

- What are the barriers to entering a new space?

- Doing more international bookings will require us to have more of a presence in several foreign locations

- Is NLT suited to play in that space? What challenges will we face?

- Many of these regions may be tough to enter, and increasing our brand awareness may be difficult

- What would it take to get our organization ready?

- Internally, we need people with international experience to market us

Candidate Review Sheets

M – Mine for the Answer**Math Zone (make estimates and round your numbers)****Calculate Revenue**

Revenue = transactions x average ticket price x commission rate

<u>Noble Line Travel</u> \$75MM	<u>Excursions</u> \$144MM	<u>Globe Travel</u> \$88MM	<u>Destinations</u> \$135MM	<u>Hawke Shields</u> \$99MM
↓	↓	↓	↓	↓
Calculate Profit \$13.5MM	\$68MM	\$47MM	\$24MM	\$19MM

Profit = Total revenue – Total costs (cost x volume)

Interpret the Numbers

- Excursions and Destinations have high revenue but for different reasons. Excursions had above average volume, the highest commission rate and above average ticket price. Destinations' success is all about volume.
- So Excursions' high profit makes some sense. But what about Globe Travel? What makes it so profitable? Basically, it is the ticket price. With an average ticket price of \$800, almost double NLT's, and costs in line with the others, their additional commission goes to the bottom line.
- Since there is a high correlation between high profit and high ticket price, looking for ways to increase the ticket price seems like a good idea. It seems that getting the international flights is the way to go since ticket prices are naturally higher and commission rates by country of origin vary (see Market Focus by Competitors handout).
- As for costs, the narrow spread between the best company and the worst company indicates that there probably is not a lot of opportunity.

Try Some New Scenarios

- Increasing ticket price by 20% for NLT would result in \$15M of additional profit. $500 \times 1.2 = \$600$ (new average ticket price) $\times 10\% = \$60$ revenue - \$41 cost = \$19 profit per ticket or \$28.5 M total.

Self Check

Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Updates hypothesis

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

E – End the Case

What was your final conclusion? This should come within five minutes of the end of the interview so that you have time to discuss it.

As you conclude, listen to your answer and check and see if you are using data (\$, numbers and percentages). Showing that you learned some facts during the case and that you are integrating them into your thinking will show-off your ability to be data driven. Keeping your opinions and recommendations fact driven will assure the interviewer that you are willing to learn and not just trust your gut.



Good Ending: “Noble Line Travel can increase its profit by focusing on revenue rather than cost reduction, since costs are already in line with competitors’. To increase revenue, international bookings will drive increases in our commission rate and our average ticket price. A 20% increase in revenue will result in \$15M being added to the bottom line. I recommend that we quickly look into what clients we need to pursue to increase our number of international bookings”.

(Good logic and pretty concise. A great data driven example of how expansion can help the top line.)

OK Ending: “Noble Line Travel is doing poorly compared to competitors in terms of bottom line profit. We’re at the bottom compared to the four I reviewed. Two players, Excursions and Globe Travel, are doing much be. I think what sets them apart is their focus on international travel. We need to look into how international bookings could expand our business. I am concerned that those efforts will drive up our costs, so we’ll need to look into that too.”

(Gimme some numbers! You hit all the right categories, but I feel like everything is “we’ll look into it tomorrow.” You had plenty of data to get specific.)

Poor Ending: “Reducing costs has to be our top priority. It is the easiest to do as we are dealing with internal issues, and we have the worst per-ticket cost in the industry. After we get that under control we should begin to look at top line issues.”

(Have you ever spent time doing a cost reduction exercise in a company? Basically it’s a lot of work that results in a long list of challenges. Besides, we’re only going to save \$4-5 per ticket. The real money is in revenue increases. Your answer is just plain wrong.)

Self Check
☐
☐

Several clear points
Persuasive

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible



Notes:

Candidate Self Assessment

Planning & Logic

Excellent —————→ *Poor*

1. I had a plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. My plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. I trusted my plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					I basically forgot about it

Communication & Composure

4. I was calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. I carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I didn't hold the interviewer's attention
6. I drove the case.	1	2	3	4	5	6
	Clearly in control, I took the case to a conclusion			I took control sometimes		Adrift at sea

Analytics

7. I analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, I didn't get the insights
8. I integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			I missed some connections		I missed all the linkages between the data

Recommendation

9. My final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up my thoughts					I tried to solve the case from my gut
10. I was persuasive in making my final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					I couldn't even convince myself, zero passion

Total Score:
(10-60)

Do this self assessment before asking the interviewer for feedback. How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?

Always Fresh

Determined to conquer the world with the power of deodorant, the Always Fresh team has set their sights on going abroad. Help them navigate the international intricacies of personal hygiene. Will success smell as sweet outside of North America?

Case Pack: 007

Difficulty (1-5): ★ ★ ★

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 through 6 before beginning the case.

I

Pages
7 - 22

Interviewer

- **Prep time:** This case is rated 3 stars in terms of difficulty and has a few complexities. Expect to invest at least **10 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8-9)
 - Math Zone (p. 10)
 - Handout Guide and Handouts (p. 11-20)
 - Re-routers and Heavy Lifting (p. 21)
 - Candidate's "Mine for an Answer" sheets (p. 27-29)
- **Giving the Case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 25. After the case is over, fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
23 - 31

Candidate

- **Working with an Interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10 minutes for this case.
- **After the interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove any data handouts and place them face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with an interviewer who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

Always Fresh is a subsidiary of a \$30B consumer products conglomerate. The company's main product line is deodorant/anti-perspirant sprays, roll-ons and sticks. Sales over the last five years have been steadily growing in North America, and now the Always Fresh team is ready to take its products global.

As the team's leader, how would you assess whether or not international expansion is a good idea? If so, which countries offer the greatest three-year revenue opportunity?

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer notes.

Candidate Notes

Math

--	--

Interviewer Fact Sheet

Case Question: Always Fresh is a subsidiary of a \$30B consumer products conglomerate. The company's main product line is deodorant/anti-perspirant sprays, roll-ons and sticks. Sales over the last five years have been steadily growing in North America, and now the Always Fresh team is ready to take its products global. As the team's leader, how would you assess whether or not international expansion is a good idea? If so, which countries offer the greatest three-year revenue opportunity?

A Few Tips from David

- This is a basic market entry case with critical data scattered throughout four different handouts. Star candidates will be on a mission to find certain facts and pull them from the slides.
- Make sure the candidate has all four slides at about the half point in the case. As you evaluate, look for tenacity in finding data as well as an ability to integrate the findings.

Intro Facts

(Tell the Candidate if Asked)

- **Location preferences:** None. Management wants the project team to tell them.
- **Product line:** Any or all of the three deodorant types can be launched into new locations. Each product (stick, spray, roll-on) lasts 3 months long on average.
- **Team:** Internal resources appear sufficient to handle this launch. Candidate is the leader.
- **Capital, production and distribution:** Parent company will support any well defined need. Worldwide production and distribution facilities will help. Relationships with retailers are good.
- **Financial targets:** 25% annual revenue growth for 3 years and year one sales of at least \$50M.
- **North American (NAM) sales:** Last year's sales were \$350M. NAM growth is about 10% per year.
- **Suppliers:** Non-issue, North American suppliers.
- **Government/ Legislation:** No barriers.
- **Financing this venture:** Non-issue.

Key Insights

(Do Not Tell the Candidate)

- **Market potential:** Three countries are much larger than the others in terms of overall size: Germany, Japan and Brazil.
- **Pricing:** AF sells three different types of product that sell at different price points. Also prices vary by country. However, since the three product types are weighted about the same, you can average the prices to develop an average price for all units for a particular country.
- **Country Specific Competitors:** There are strong competitors in each market that AF wants to enter. Brazil and Japan are the most fragmented which would enable AF to take market share from the small, local brands. Although AF is new, their large parent organization will make it possible for them to promote their products heavily and to use already established distribution relationships.
- **Global Competitors:** Mann and Rembrant each have solid market share in 3 different countries. They are well established companies like AF and its parent company.

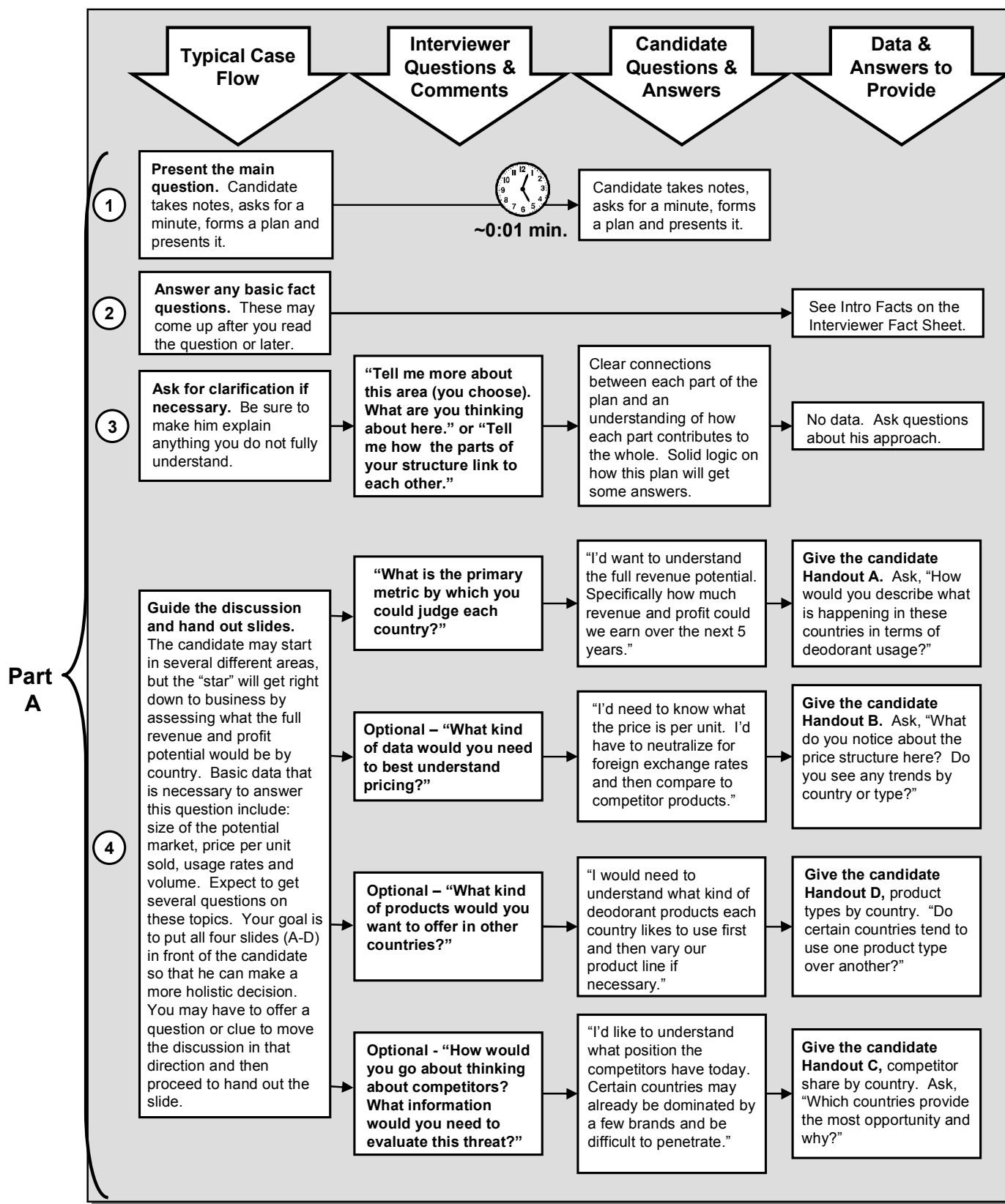
On-Track Indicators

- ✓ **Data driven** – asks for price, volume and usage by country
- ✓ **Results focus** – thinks about getting product to customers by overcoming barriers and ensuring good distribution
- ✓ **Creative** - discusses country specific issues like advertising, product name, perception of product after establishing a data driven strategy

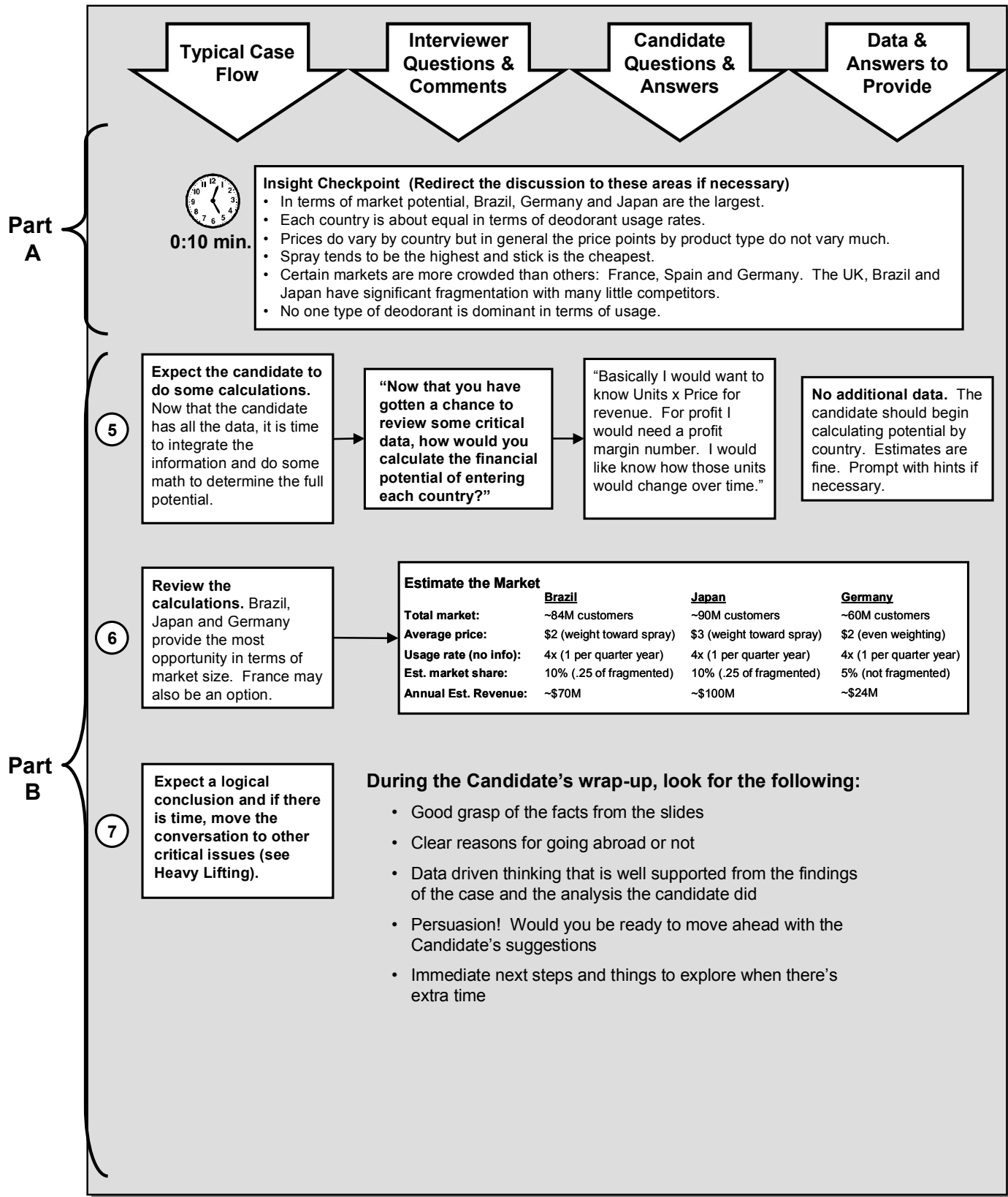
Off-Track Indicators

- ✗ **Creative first** – talks about customers' different needs and how to address them before determining market size and country of focus
- ✗ **Too tactical** – focuses too much on how to distribute, sell or make before developing a data driven strategy
- ✗ **Too micro** – drills too deep and long on a few issues, like which type of product to sell first

Case at a Glance



Case at a Glance



Math Zone

Potential Approach

Estimate the Market

	<u>Brazil</u>	<u>Japan</u>	<u>Germany</u>
Total market:	~84M customers	~90M customers	~60M customers
Average price:	\$2 (weight toward spray)	\$3 (weight toward spray)	\$2 (even weighting)
Usage rate (no info):	4x (1 per quarter year)	4x (1 per quarter year)	4x (1 per quarter year)
Est. market share:	10% (.25 of fragmented)	10% (.25 of fragmented)	5% (not fragmented)
Annual Est. Revenue:	~\$70M	~\$100M	~\$24M

Total Annual Revenue: ~\$194M (will vary according to your assumptions, e.g. how many units of deodorant do you use per year? Round this number to ~\$200M)

Gut Check It

- \$200M for the first year seems high, given that after 5 years NAM has \$350M.
- This may be high due to market share and usage estimates. Don't recalculate, stay calm and create a range.
- If you arrive at an answer that feels off, quickly estimate a range by percent. In this case 20% error in either direction would result in a range of ~\$160M – \$240M. Be conservative and go with \$160M.

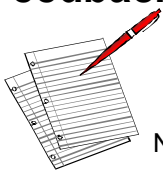
Calculate Required Growth

- First year sell about \$160M
- Second year grow at requested 25% (\$40M), so sell ~\$200M.
- Third year, grow at requested 25% (\$50M), so sell ~\$250M. After three years, Always Fresh would be about \$250 (international) which seems reasonable since NAM is \$350 after five years.

Interpret the numbers

- Establishing the business during the first year is important and will be difficult. Germany especially is not fragmented, and gaining shelf space may prove difficult.
- Growing at 25% may be possible given that Brazil and Japan are so fragmented. It does seem aggressive, however, given NAM's 10% growth rate.
- **We may have the option of entering only two countries and still reaching our targets.**

Feedback



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

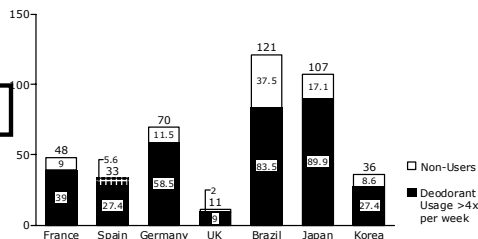
☐

Ballparks numbers first

Handout Guide

Population and Deodorant Usage

Population in Millions of Potential Users (Age 15+ years)



A

Candidate:

How big is the market by country? or Do you have any market data?

Interviewer:

Here's some market data. What do you see?

To Help, Ask:

What jumps out to you on this chart? Any countries you would consider over others?

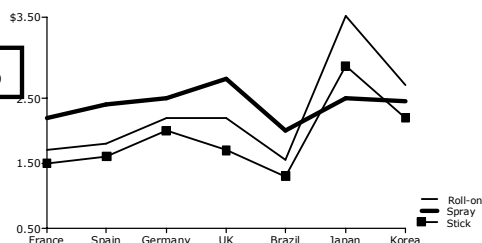
Main Insight:

Big markets to consider are Brazil, Japan and Germany.

Candidate got the insight?: ☐ Yes ☐ No

Average Price Paid per 2 oz.

Average price paid per 2 oz. in US \$



B

Candidate:

Do we have any pricing information?

Interviewer:

Here's some pricing by country. What do you think?

To Help, Ask:

What pricing trends do you see by product? Are there any exceptions? Gross margins are the same for all products.

Special Note:

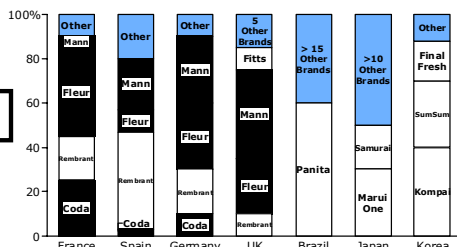
Main Insight:

Pricing for spray is often higher. In Japan roll-on prices are higher.

Candidate got the insight?: ☐ Yes ☐ No

Key Competitors by Market

Percent of Market Share



C

Candidate:

Do you know who the competitors are by country and their market share?

Interviewer:

These numbers are rough – what the the team could pull together in a day. What jumps out at you?

To Help, Ask:

Who seems to be dominant by market place?

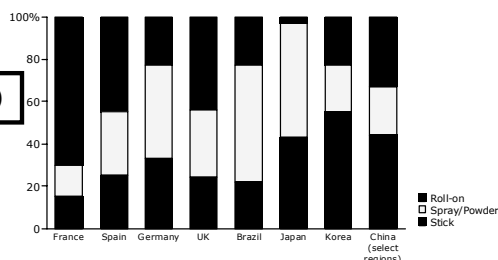
Main Insight:

Brazil and Japan are fragmented, creating opportunity to take share.

Candidate got the insight?: ☐ Yes ☐ No

Deodorant User Preferences

Percent of Users by Deodorant Type



D

Candidate:

Do we know what type of deodorant people like best?

Interviewer:

Here's some quick data we got from street interviews. Survey population size may be a little low.

Main Insight:

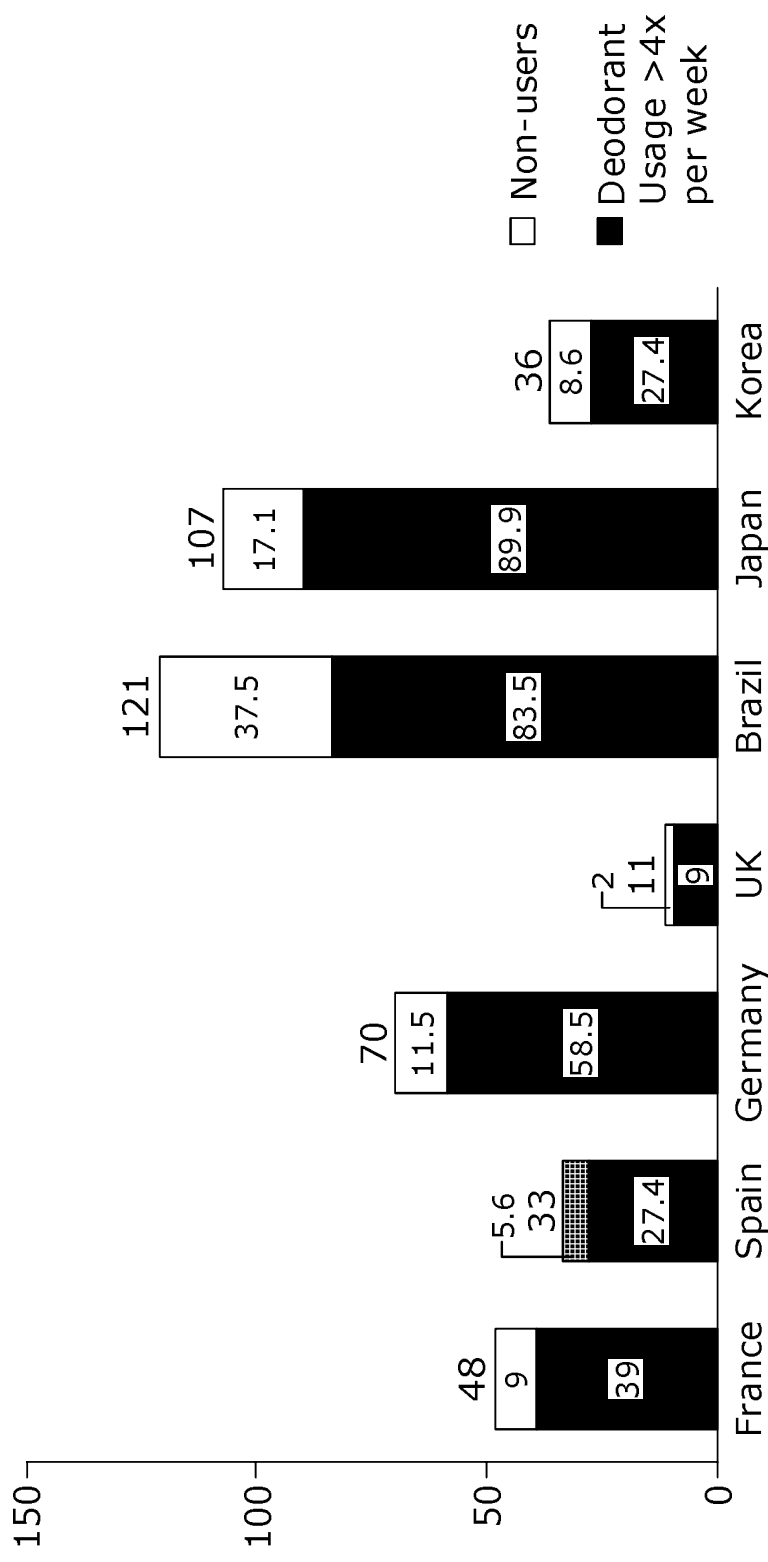
Spray is preferred by Brazil and Japan. France likes roll-on. No deodorant type dominates across countries in terms of usage.

Candidate got the insight?: ☐ Yes ☐ No

HANDOUT A

Population and Deodorant Usage

Population in Millions of
Potential Users (Age 15+ years)

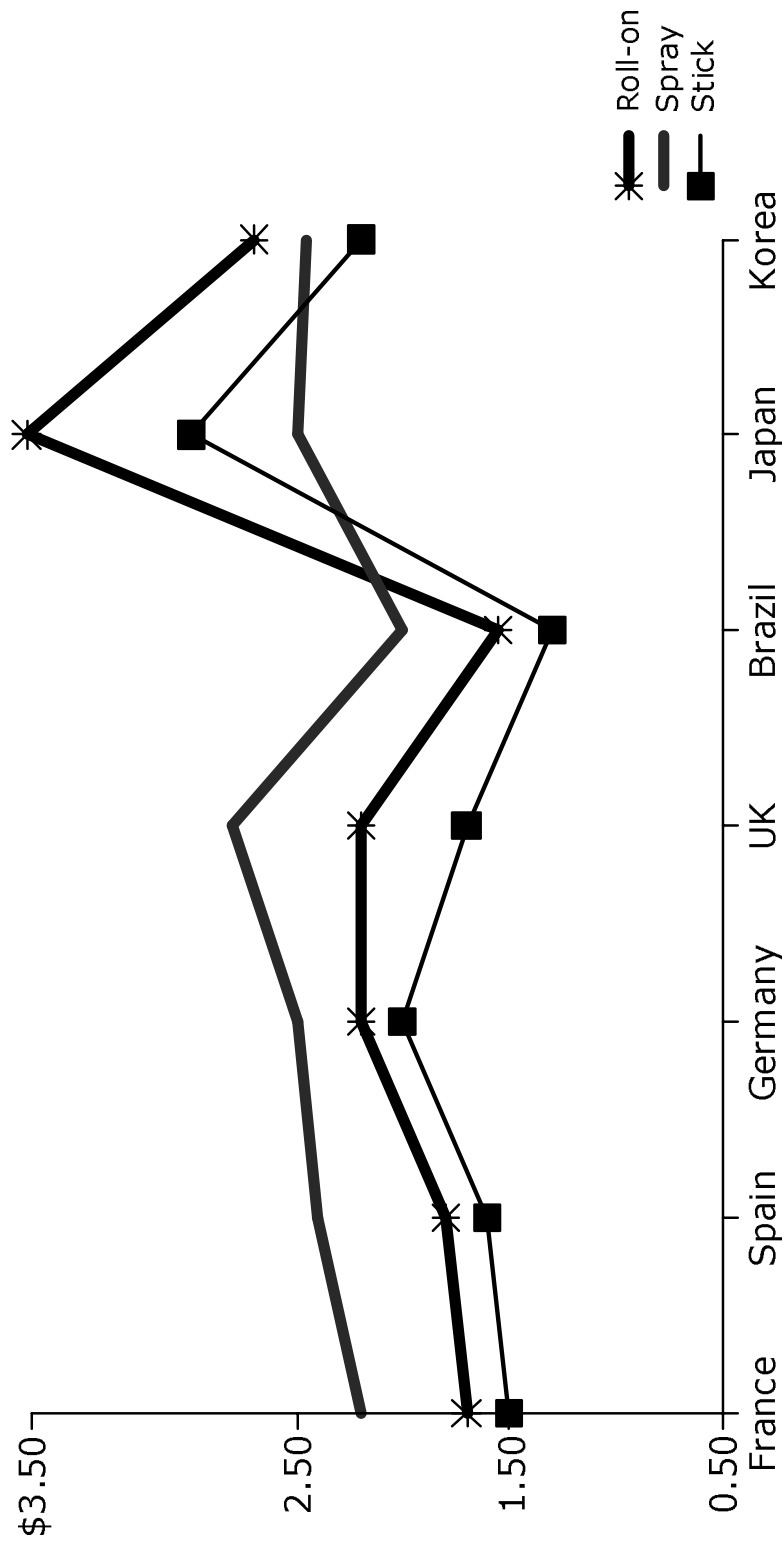


Sources: GeoHive, Theodora.com

HANDOUT B

Average Price Paid per 2 oz.

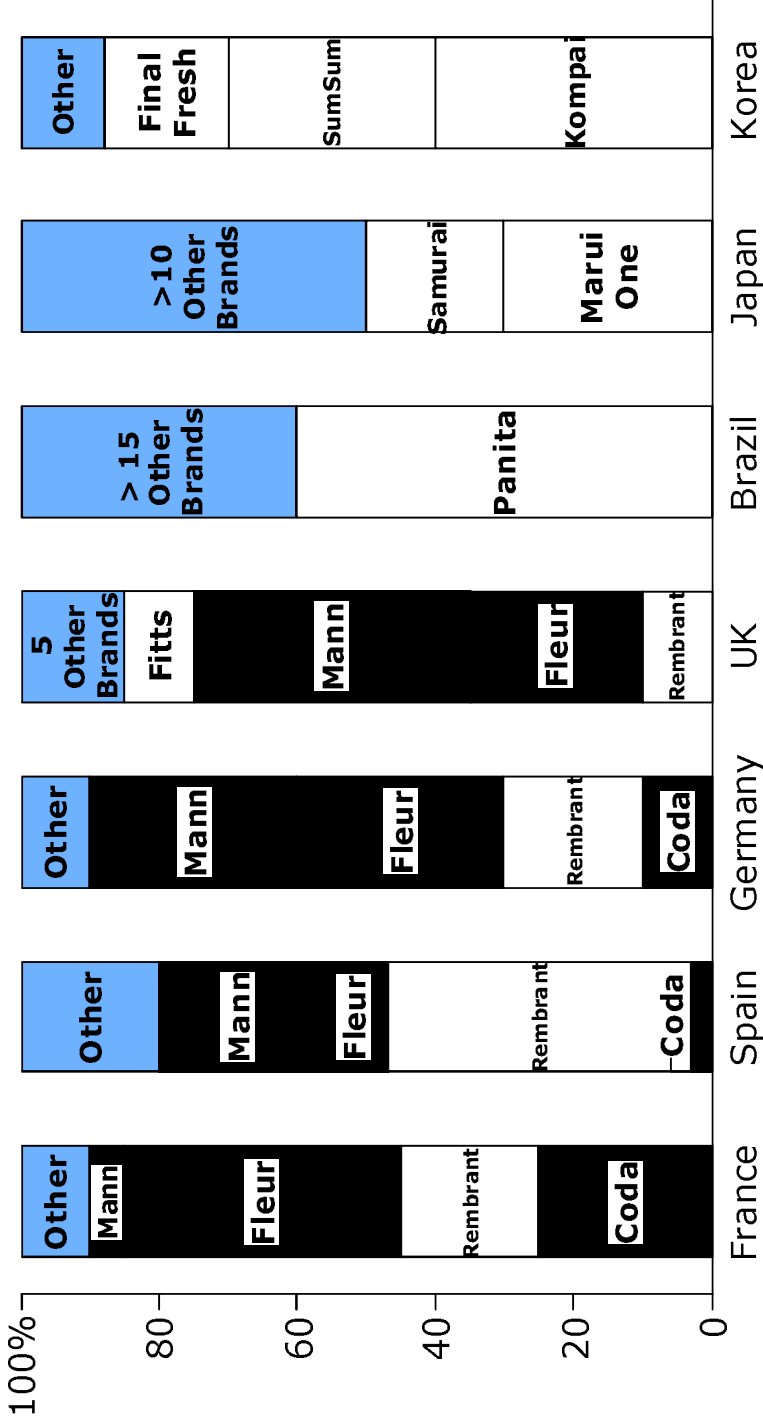
Average price paid per 2 oz. in US\$



HANDOUT C

Key Competitors by Market

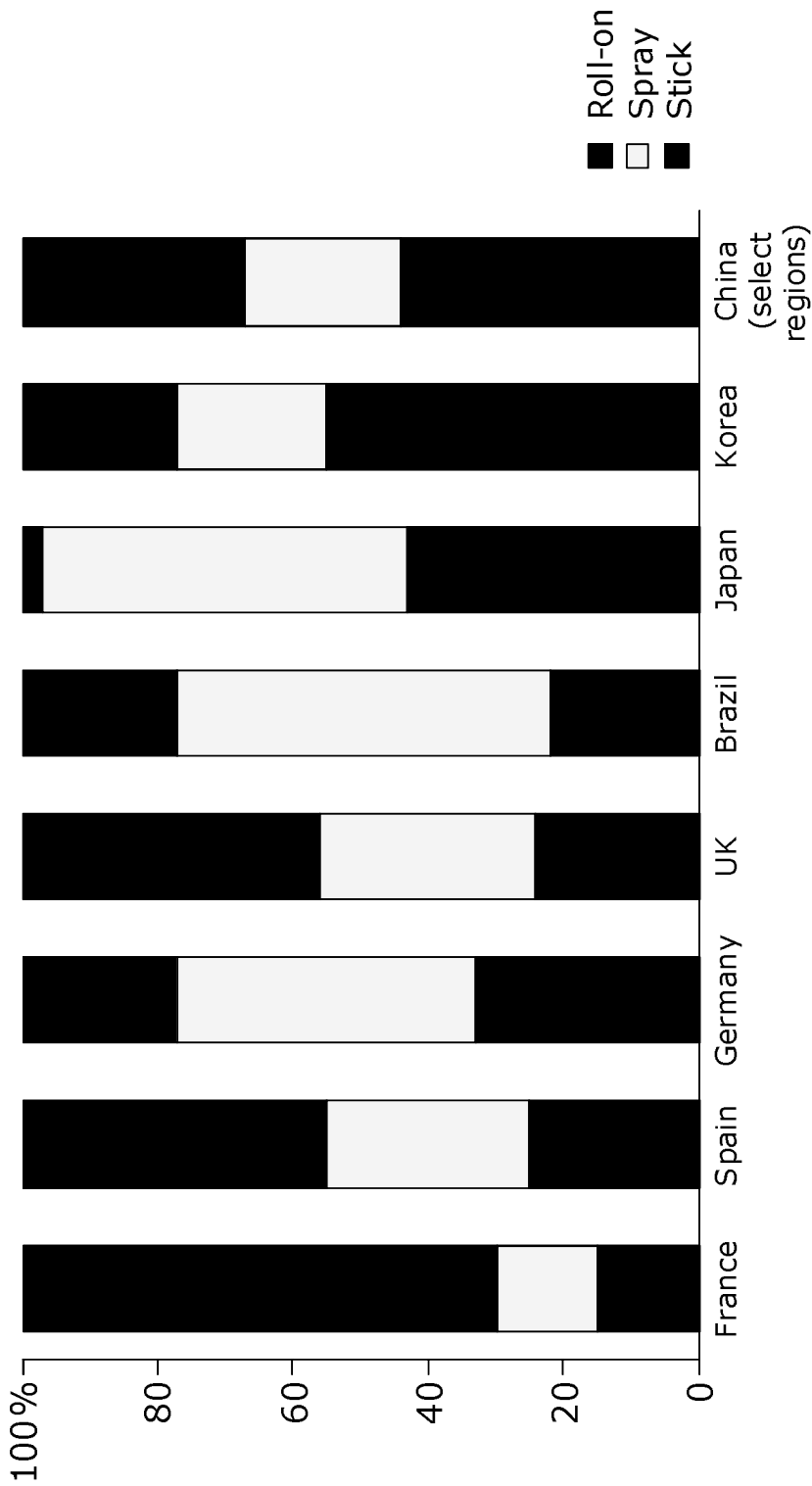
Percent of Market Share



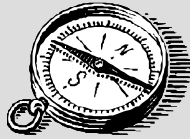
HANDOUT D

Deodorant User Preferences

Percent of Users by Deodorant Type



Re-routers and Heavy Lifting



Re-routers *Questions To Keep Things On Track*

- ❖ **What criteria would you use to rank one country over another?**
 - Market size
 - Competitor saturation and relative market share
 - Customer needs
 - ❖ **How would you go about determining the potential market size?**
 - Start with all potential customers and slim down the field according to product preference and usage patterns.
 - ❖ **Now that you have some target markets, what other issues should you consider?**
 - Product distribution
 - Product push (spray vs. stick vs. roll-on)
 - Internal marketing support
 - Sales rollout
 - Retailer relationships and advertising
 - ❖ **What internal organizational issues concern you most?**
 - Leveraging our conglomerate's experience to support expansion
 - IT systems to track the actual success of this venture
 - Senior management support and patience
 - Team dedication – this will be a lot of work
-



Heavy Lifting *Questions To Make the Case More Difficult*

- ❖ **What are some ways to determine acceptable and reasonable first- and second-year sales and profit targets?**
 - Review historical North American data
 - Study competitor launches of similar data
 - Study our conglomerate's other products that have been rolled out abroad

Interviewer Feedback

Planning & Logic

Excellent —————→ **Poor**

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					You basically forgot about it

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I'd avoid you at cocktail parties
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion			You took control sometimes, but then let me drive		Adrift at sea

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			You missed some connections		You missed all the linkages between the data

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts					You seemed to solve the case from your gut
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					You couldn't even convince yourself, zero passion

Total Score:
(10-60)

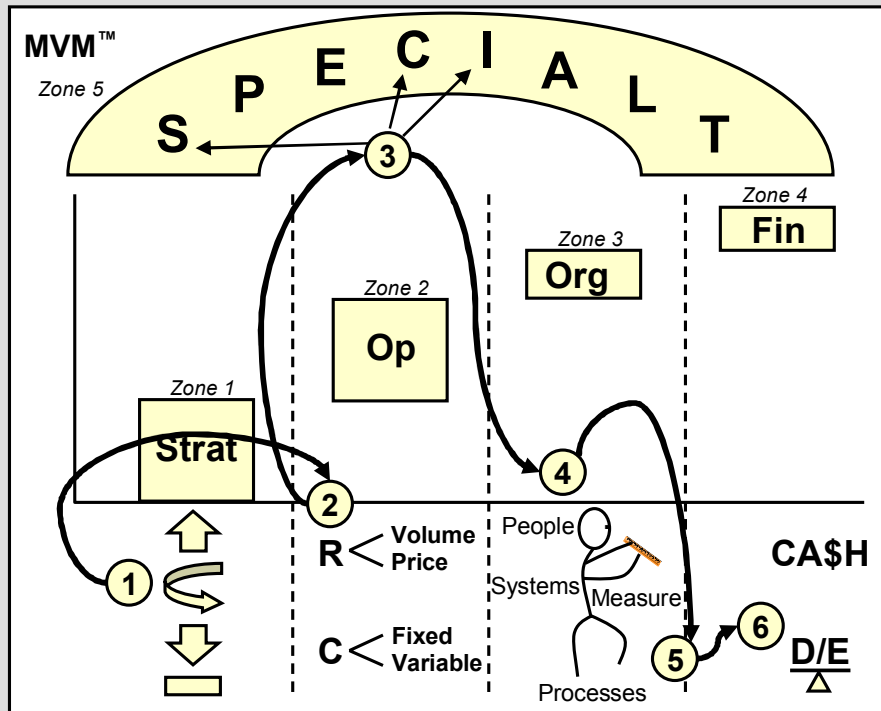
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

F - Form a Plan

- Since this is a strategic decision, Always Fresh's business will be affected in many areas.
- Structure a plan to determine whether there are countries worth entering, how much the market is worth and what steps Always Fresh should take to enter these new markets.
- Look for a keen focus on data and how to determine whether entering makes sense. Issues like buyer behavior and usage patterns are secondary.



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

1. **Start in Zone 1, Strategy.** Always Fresh is changing direction and looking to start something new.
2. **Move to Zone 2, Operations.** How much demand is there, and what can we charge?
3. **Don't forget key external factors.** As you consider price and volume also consider:
 - Suppliers – are there any raw material problems in our future locations?
 - Competitors – how does our product compare to what they offer?
 - Industry – are there barriers to this industry in our new countries?
4. **Shift to AF's internal team.** Do we have enough people in place and good leaders?
5. **Discuss distribution processes.** How will they be leveraged in the new country?
6. **Move to financing.** What will happen with the company's debt/ equity?

Candidate Review Sheets

F - Form a Plan (cont.)

Suggested Answers, Diagrams and Behaviors



Good

"Our goal is to enter a new country so I want to determine which countries offer the best revenue and ease of entry. Issues like suppliers, competitor response and industry barriers will be important. Time permitting, I also would like to discuss internal support issues like our team, marketing, distribution and financing. Before I go down this path, does management have any specific goals for our team? For instance, the number of countries or revenue or profit targets?"

(Sets a frame, keeps the big picture in mind and allows the interviewer to redirect early in the case).

OK

"Since the team wants to enter new markets, I'm going to assume that they want to go where underarm deodorant usage is the highest. My goal would be to find out where that is true and whether or not we have the organization strength to execute. I also want to understand what competitors are doing."

(Sounds good. Sets a frame but makes a strong assumption about usage too early. Sounds like he's solving the case already rather than setting a structure.)

Weak

"Do you have any more information about which products they want to launch first and which countries they're interested in? From my experience not all these people are going to be interested in deodorant the same way Americans are."

(You asked two questions before letting me know what's going on in your head. Personal opinions may have a place later after we talk numbers. By the way, North America consists of Canada, US and Mexico.)

Self Check



Notes:

☐

MECE (Mutually Exclusive, Collectively Exhaustive)

☐

Bottom line tone

☐

Fluent, not stammering

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Play the Data Man/Ma'am covered in the book. Challenge the candidate regularly with questions such as:

- How would you go about getting that data?
- What would be a better approach?
- Are you sure your analysis would answer the question at hand?
- If the data were inconclusive what would you do?

If your candidate typically excels at data questions and analysis try a Chatty Bob or Kathy approach. Ask about tangent issues like these:

- Do you really think that the French will use as much deodorant as Canadians?
- Which product scents do you think will be more popular, flowery scents or citrus scents?
- Will the name Always Fresh work in foreign languages?



Good Reactions/ Body Language:

- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- "Ready to talk" body language, sitting on the front half of the chair, eager to discuss the case

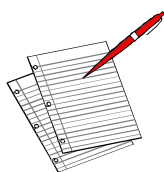
Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in getting set up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position

Self Check



Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Strong confident voice

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

What did you really think? What was your hunch? As you put together your plan and thought about trying to prove your hunch, you should have considered the following:

- **Logical thinking** to support the hypothesis
- **Common sense** about which locations may be good, rather than a jumble of business terms
- **Big picture thinking** that stays focused on key issues



Potential Hypotheses

Keep in mind that your hypothesis is just a starting point, a place to anchor your initial thoughts. If you and a team of consultants had four months to do a project, your hypothesis would be an anchor below which you could structure several projects. Each project would help prove or disprove your initial thoughts.

Even though in this case you only had about twenty minutes to get to a solution, did you take advantage of some of your initial thoughts about this decision? By anchoring your thoughts around a hypothesis, you can give yourself a natural focus for your questions as you move through the different elements of your plan. Ultimately the data from the case will tell you what the right answer, proving or disproving your initial thought. The hypothesis helps you focus early in the case and find that data.

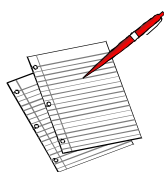
AF Should Expand

“Because of AF’s parent conglomerate and its likely advantages with distributors and retailers in different countries, launching this product seems like a natural fit. I need to figure out where we have the best relationships.”

AF Should Wait

“Just because we have been successful in the North America does not mean that we will naturally have the same success abroad. I suspect that the costs of ramping up will outweigh the advantages.”

Self Check



Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

Now you can mine for data. Use your plan as a guide as well as your initial hypothesis. Try to ask 2-3 questions in any section you explore.

Mining Zones

Demand

- **Do we have evidence that people want this product?**
 - Deodorant users are plentiful.
- **Can we estimate demand? How about price?**
 - We do have rough demand and price.
- **Where do we see demand to be highest?**
 - Brazil, Japan and Germany provide the most opportunity.

Product/ Competitors

- **What is unique about our product?**
 - We have no information on what's unique.
- **How can we differentiate?**
 - Competitors are fragmented, so they may be slow to react.
- **How will competitors respond?**
 - There is a good opportunity to take market share.

Internal Support

- **Is the team in place? Do we have a strong leader?**
 - Yes. You are the leader.
- **How will we sell and distribute the product?**
 - Distribution relationships are in place. We can leverage the conglomerate's relationships.
- **Is our financing in place?**
 - Yes, there are no financing issues.

Product Line

- **Does AF provide a product line that will work in several different countries?**
 - Yes. Every country they want to enter uses their main products: spray, roll-on and stick.
- **Do certain countries demand certain product attributes that the AF product line does not have?**
 - No. Initial research indicates that the AF product line will be well accepted at all the countries

Financial Targets

- **What are management's goals with this international expansion?**
 - Ultimately management wants to see about half of AF's sales come from outside of North America. For the first 3 years, they expect 25% revenue growth.
- **Are there any other financial goals in place?**
 - None at this time.

Suppliers

- **Will our product be made abroad or in the local country?**
 - Initially to take advantage of production efficiencies, all products will be made in the US. In the long term, making the products locally may be an option.
- **Are there any suppliers who will react negatively to AF importing products?**
 - We have no information at this point. AF's parent does have good relationship with suppliers.

Math Zone

M – Mine for the Answer

Make estimates and round your numbers.

Estimate the Market

	<u>Brazil</u>	<u>Japan</u>	<u>Germany</u>
Total market:	~84M customers	~90M customers	~60M customers
Average price:	\$2 (weight toward spray)	\$3 (weight toward spray)	\$2 (even weighting)
Usage rate:	4x (1 per quarter year)	4x (1 per quarter year)	4x (1 per quarter year)
Est. market share:	10% (.25 of fragmented)	10% (.25 of fragmented)	5% (not fragmented)
Annual Est. Revenue:	~\$70M	~\$100M	~\$24M

Total Annual Revenue: ~\$194M (will vary according to your assumptions, e.g. how many units of deodorant do you use per year? Round this number to ~\$200M)

Gut Check It

- \$200M for the first year seems high, given that after 5 years NAM has \$350M.
- This may be high due to market share and usage estimates. Don't recalculate, stay calm and create a range.
- If you arrive at an answer that feels off, quickly estimate a range by percent. In this case 20% error in either direction would result in a range of ~\$160M – \$240M. Be conservative and go with \$160M.

Calculate Required Growth

- First year sell about \$160M
- Second year grow at requested 25% (\$40M), so sell ~\$200M.
- Third year, grow at requested 25% (\$50M), so sell ~\$250M. After three years, Always Fresh would be about \$250 (international) which seems reasonable since NAM is \$350 after five years.

Interpret the numbers

- Establishing the business during the first year is important and will be difficult. Germany especially is not fragmented, and gaining shelf space may prove difficult.
- Growing at 25% may be possible given that Brazil and Japan are so fragmented. It does seem aggressive, however, given NAM's 10% growth rate.
- **We may have the option of entering only two countries and still reaching our targets.**

Candidate Review Sheets

M – Mine for the Answer

What did you learn?

- In terms of market potential, Brazil, Germany and Japan are the largest.
- Each country is about equal when it comes to deodorant usage rates.
- Each product lasts about 3 months.
- Prices do vary by country but in general the price points by product type do not vary much.
- Spray tends to be the most expensive and stick is the cheapest.
- Certain markets are more crowded than others: France, Spain and Germany. The UK, Brazil and Japan have significant fragmentation with many small competitors.
- No one type of deodorant is dominant in terms of usage.

How does it tie together?

- Looking for large markets makes good sense. Unless there are some unique barriers to a market that is larger or has more dollar potential, go there first.
- When making calculations you have to find ways to simplify the numbers. Try to “ballpark” (get it in the range) your numbers before going for detailed precision. You needed to know volume and price for calculating country specific revenue.
 - **Volume:** What is the common unit to count? Since each product (stick, spray or roll-on) is being used in the same manner and likely lasts the same length of time, each sale can each be counted as one unit. To get the number of units you need to know: total available users x market share AF has x units used per year. You can get the user data from Handout A, the market share data from Handout C and the number of units per year by asking the interviewer (4 units per year per person).
 - **Price:** As for price, a quick solution is to eyeball the chart and come up with an average. If you have more time, you could weight the price, but that is not necessary.
- After determining the revenue potential, you need to apply some business judgment to the results. The Math Zone covers some of that logic.
- When you present your final answer, it is natural to caveat some of your numbers and talk about what you would like to investigate if you had more time.

Self Check



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Updates hypothesis

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

E – End the Case

Did you have a clear ending? How logical was your thinking? Did you use the facts from the case to prove out your logic? Here are some good things to consider for any case:

- How would you wrap this up?
- So, what's your conclusion? Which countries are we entering and why?
- I just got a call from the CEO; she's going to drop by in a few minutes and wants to hear your thoughts on our global rollout. What are your conclusions?

Other Questions to Anticipate

- You chose three countries in three different regions of the world. Is that practical?
- Are there any sales synergies among the three countries?



Good Ending: "Always Fresh should definitely move ahead with international expansion. After assessing total potential market share, three countries—Brazil, Japan and Germany—rise to the top of the list. It appears that we can capture share quickly in the first two, with total projected conservative revenues for all three at about \$160M the first year. Additional growth at 25% may be aggressive in Germany since the market there is less fragmented. Also, distribution, IT and sales processes will need monitoring."

(Very focused on the numbers and to the point—a CEO's dream.)

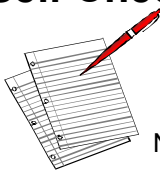
OK Ending: "Brazil and Japan are where we want to be. Germany seems locked up, but we should still be able to hit our growth targets with those two. It will take a good deal of internal work to figure out all of the issues: salesperson time, getting good shelf space and leveraging our other relationships."

(I know where we should go, but what about revenue and return? I crave numbers. This response is a little too weighted toward the internal challenges.)

Poor Ending: "Expanding globally is a mixed bag. A few countries seem like pretty good entry targets, but the data is based on several assumptions. We need to clear those up before we'll know where to go. Also, internally we're talking about a lot of change in sales and distribution, and I'm not sure we can handle it. Everyone agrees, though, that going abroad seems like a good idea."

(This answer makes me want to yell, "So what?!" Your answer didn't give me any data that I didn't have before. Your analysis has not moved us along at all.)

Self Check



Notes:

☐
☐

Several clear points
Confident

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible

Candidate Self Assessment

Planning & Logic

Excellent —————→ *Poor*

1. I had a plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. My plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps				Several overlaps and full of gaps	
3. I trusted my plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often				I basically forgot about it	

Communication & Composure

4. I was calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready		Off and on nervousness		Sweaty, shaky mess	
5. I carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth		Occasionally awkward		I didn't hold the interviewer's attention	
6. I drove the case.	1	2	3	4	5	6
	Clearly in control, I took the case to a conclusion		I took control sometimes		Adrift at sea	

Analytics

7. I analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors		Slow on the uptake, some math mistakes		Lots of mistakes, I didn't get the insights	
8. I integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties		I missed some connections		I missed all the linkages between the data	

Recommendation

9. My final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up my thoughts				I tried to solve the case from my gut	
10. I was persuasive in making my final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone				I couldn't even convince myself, zero passion	

Total Score:
(10-60)

Do this self assessment before asking the interviewer for feedback. How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?

Clark & Gable Shoes

Clark & Gable Shoes is stepping out in a new direction. They want to offer hip, fresh styles to the business casual crowd. Will their Italian design firm help them walk on air or wade into red ink?

Case Pack: 008

Difficulty (1-5): ★ ★ ★

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 through 6 before beginning the case.

I

Pages
7 - 20

Interviewer

- **Prep time:** This case is rated 3 stars in terms of difficulty and few complexities. Expect to invest at least **10 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8-9)
 - Handout Guide (p. 10-18)
 - Re-routers and Heavy Lifting (p. 19)
 - Candidate's "Mine for the Answer" sheet (p. 25)
- **Giving the case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 23. Fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
21 - 29

Candidate

- **Working with an interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10-15 minutes for this case.
- **After the Interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove any data handouts and place them face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with an interviewer who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

Clark & Gable Shoes, a \$300M shoe manufacturer and retailer, has a 70-year tradition of making fine men's dress shoes. In the last two years sales have been gradually slipping, mainly due to the business casual trend and C&G's lack of less formal shoes. To fill the gap in its product line and put some energy into the brand, C&G enlisted Luigi, a well known, avant garde Italian design firm. After six months of sales, management wants to review the results of the ten shoes in their Everyday Style line and eliminate four "dogs" to make way for Luigi's second wave of shoes.

Management wants you to recommend which six styles of shoes to keep and to discuss the implications of eliminating four.

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer notes.

Candidate Notes

Math

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Interviewer Fact Sheet

Case Question: Clark & Gable Shoes, a \$300M shoe manufacturer and retailer, has a 70-year tradition of making fine men's dress shoes. In the last two years sales have been gradually slipping, mainly due to the business casual trend and C&G's lack of less formal shoes. To fill the gap in its product line and put some energy into the brand, C&G enlisted Luigi, a well known, avant garde Italian design firm. After six months of sales, management wants to review the results of the ten shoes in their Everyday Style line and eliminate four "dogs" to make way for Luigi's second wave of shoes. Management wants you to recommend which six styles of shoes to keep and to discuss the implications of eliminating four.

A Few Tips from David

- This case is very straight forward: look at the data and eliminate four out of ten products. It requires a quick ability to integrate data from many sources. Star candidates build a logical solution quickly.
- Since most people will have not trouble coming up with a recommendation, push hard to understand the flaws in the logic. At the end ask, "If you had to eliminate two more, which ones would you pick."

Intro Facts

(Tell the Candidate if Asked)

- **Revenue targets:** None. Management is more interested in knowing how the launch of these ten shoes compares to previous successful launches. The second wave of Luigi designed shoes is certain.
- **Distribution channels:** All shoes are sold through C&G's stores, catalogs or online store. For this case, the focus will be on the new line and how it is performing, not on improving the distribution channels. Not using third party retailers means that more profit will hit C&G's bottom line.
- **Cost structure:** Not a focus of this case. The main discussion around costs will center on why some shoes cost more to make than others, resulting in lower gross margins.
- **Competitors:** Most have casual lines. C&G is a laggard.
- **Suppliers, government and legislation:** No issues.

Key Insights

(Do Not Tell the Candidate)

- **Product elimination:** Eliminating the following four shoes is the best solution for Clark & Gable: Everyday Camel, the Sierra, the Randy and Neuman.
- **Gross Margin:** The four eliminated shoes do represent 1/3 of gross margin from 6 months, which is less than the 4/10 they would provide if all 10 shoes were equal.
- **Unit Sales** – All previous successful new product launches have had one critical element in common; baseline sales of 2,950 units over the first 6 months. The four shoes above do not meet this threshold.
- **Product Appeal** – These 4 shoes have not shown much appeal with our most loyal customers.
- **Product Line Gaps** – After removing the products, there will be a gap in the offering, namely the "beach" category.

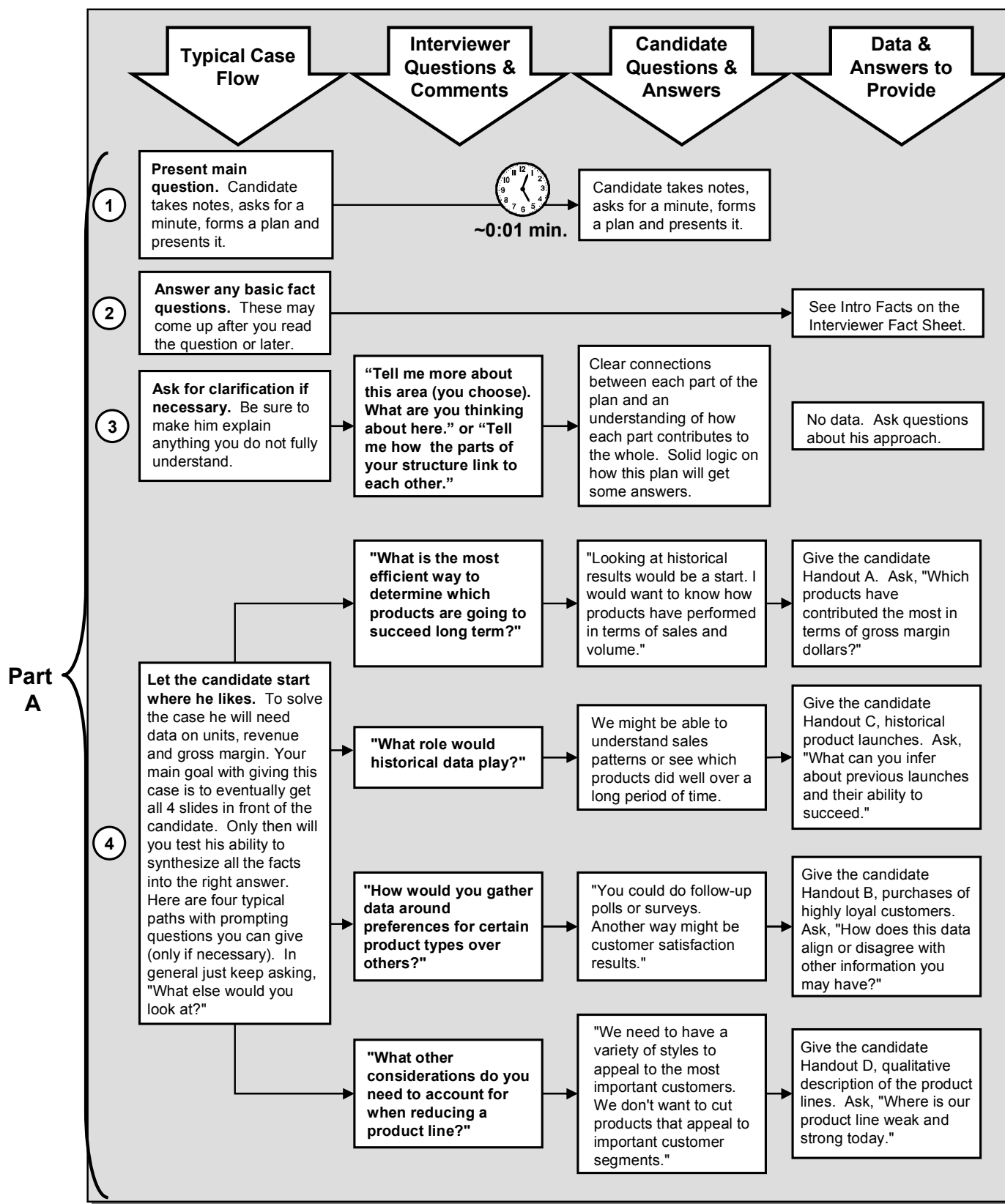
On-Track Indicators

- ✓ **Focused on finding the "dogs"** – looks to understand which shoes are the worst performers
- ✓ **Pulls out insights** – identifying four shoes to eliminate is not very hard. Moving to insights and implications about the future is more difficult.
- ✓ **Creative** – asks about and discusses new opportunities to increase revenue

Off-Track Indicators

- ✗ **Creativity first** – thinks and talks primarily about loyal customer reaction to the product rather than focusing on the data
- ✗ **Avoids the math** – to gain insights from the data, you must round numbers and do some "quick and dirty" calculations
- ✗ **Avoids putting a stake in the ground** – After making an initial cut of some shoes, you can look at the implications. You need the stake first.

Case at a Glance



Case at a Glance

Part
A

Typical Case Flow

Interviewer Questions & Comments

Candidate Questions & Answers

Data & Answers to Provide

5

Assess now how well he can integrate the information.

At this point, the candidate should have received all four slides either through your prompting or direct questions.

"Now that you have all the data, how do you link it together and determine which ones to cut?"

"I would focus on actual units sold and revenue." or
"I think that the decision would be based revenue and gross margin as well as the type of niche the shoe type fills."

Answer the questions and keep pushing the candidate to select the 4 shoes.



~0:12 min.

Insight Checkpoint (Redirect the discussion to these areas if necessary)

- **Company Philosophy:** Clark & Gable has tough standards, shown by its willingness to "cut bait" or eliminate new product lines only after 6 months of data. Given their long, successful history they must have some kind of insight into the timing and data necessary to make such quick decisions.
- **Units and Gross Margin:** Unit sales and gross margin percentages vary widely, but revenue is roughly in the same range for the ten products. About 7 of the 10 shoes provide gross margin dollars of over \$100 each. (Handout A)
- **Historical Success:** All shoe lines that succeeded in the last 25 launches exceeded unit sales of 2952 in their first six months. (Handout C)
- **Customer Feedback:** Loyal customers indicate that 4 shoes tend to be not liked as much: Neumann, the Randy, the Berks and Everyday Camel.
- **Style:** Most of the products are focused on the office casual, club and hip factor styles. Removing certain products may leave holes in the portfolio.

Part
B

6

The candidate needs to integrate these insights into a selection process. Staying data driven is the best course of action so the candidate should calculate the bottom line implication of his choice. A good conclusion will make sense mathematically and logically. **If he is struggling to make a firm selection, ask "Which four shoes would you recommend removing and why?" Followed by, "What would be your immediate next steps."**



~0:15 min.

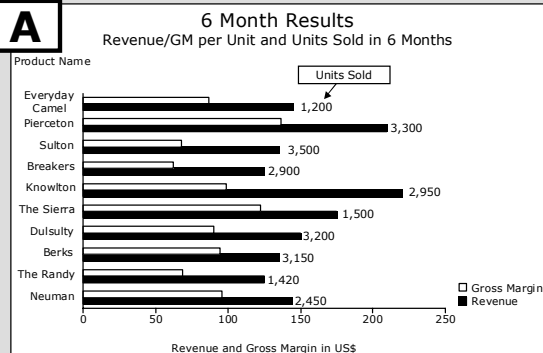
Math Zone – Solving for Product Sales Required to Meet Investor Demands

1. **Use a logic rule to make your selection.** In this case sticking to the unit sale requirements is a good method. Four shoes do not make the historical cut-off of 2952 for the first 6 months. Knowlton is close enough and carries a large GM dollar contribution so you would probably want to keep it.
2. **Check the downside.** From a total, 6 month gross margin dollar comparison, these four are good choices. Neuman rivals several others that were not selected, but loyal customers do not like it.
3. **Consider the gaps.** Beach will not be covered with these choices. Next steps should include reviewing the portfolio coverage.

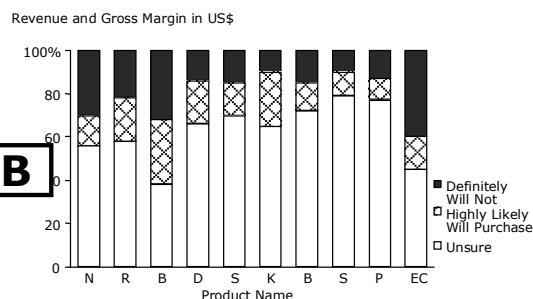
Shoe	~GM \$	UNITS	Rounded
			Totals (K)
EC	100	1200	120
P	150	3300	500
SULT	75	3500	260
B	75	2900	220
K	100	2950	300
SIE	125	1500	200
D	100	3200	320
B	100	3150	315
R	75	1420	110
N	100	2450	250

Handout Guide

A

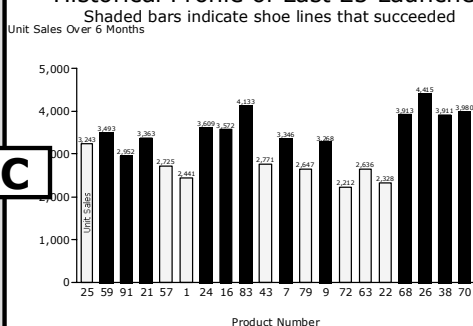


Predicted Purchases of "Highly Loyal" Customers



B

Historical Profile of Last 25 Launches



C

	Weak	Office	Wear			
	Medium	Casual	More	Formally	Beach	Clubs
	Strong					
Neuman	●	○	○	○	○	○
The Randy	●	○	○	○	○	○
Berks	●	○	○	○	○	○
Dulsultry	●	○	○	○	○	○
The Sierra	○	○	○	○	○	○
Knowlton	●	○	○	○	○	○
Breakers	●	○	○	○	○	○
Sulton	●	○	○	○	○	○
Piercetron	●	○	○	○	○	○
Everyday Camel	○	○	○	○	○	○

D

Candidates:**Interviewer:**

Do you have any sales data?
Here's what we know about the six month launch in terms of unit volume. Revenue and gross margin per shoe are also shown.

You Might Ask:

Which products are contributing the most in gross margin dollars?

Main Insight:

Revenue per shoe varies quite a bit, but a majority of the shoes contribute \$100 in gross margin per sale.

Candidate got the insight?: ☐ Yes ☐ No

Candidate:**Interviewer:**

Do customers like the products?
We polled our most loyal customers with pictures and prices of each new shoe. Here's what they said.

You Must Ask:

Which shoes seem to be most disliked? Which ones are the favorites?

Main Insight:

Three shoes rated poorly: Neuman, The Randy, and Everyday Camel. People either loved or hated Berks.

Candidate got the insight?: ☐ Yes ☐ No

Candidate:**Interviewer:**

Do we have any historical benchmarks for product launches?
C&G has tracked their last 25 launches.

You Might Ask:

What can you infer from the data about the minimum required for success?

Main Insight:

Previous launches that succeeded all had sales of at least 2,952 units in their first six months.

Candidate got the insight?: ☐ Yes ☐ No

Candidate:**Interviewer:**

Do you have any descriptions of the shoes and how they differ?
Here is a qualitative style map. This depicts the niche each shoe fills.

You Must Ask:

What would be the implications of removing the shoes you are considering eliminating?

Main Insight:

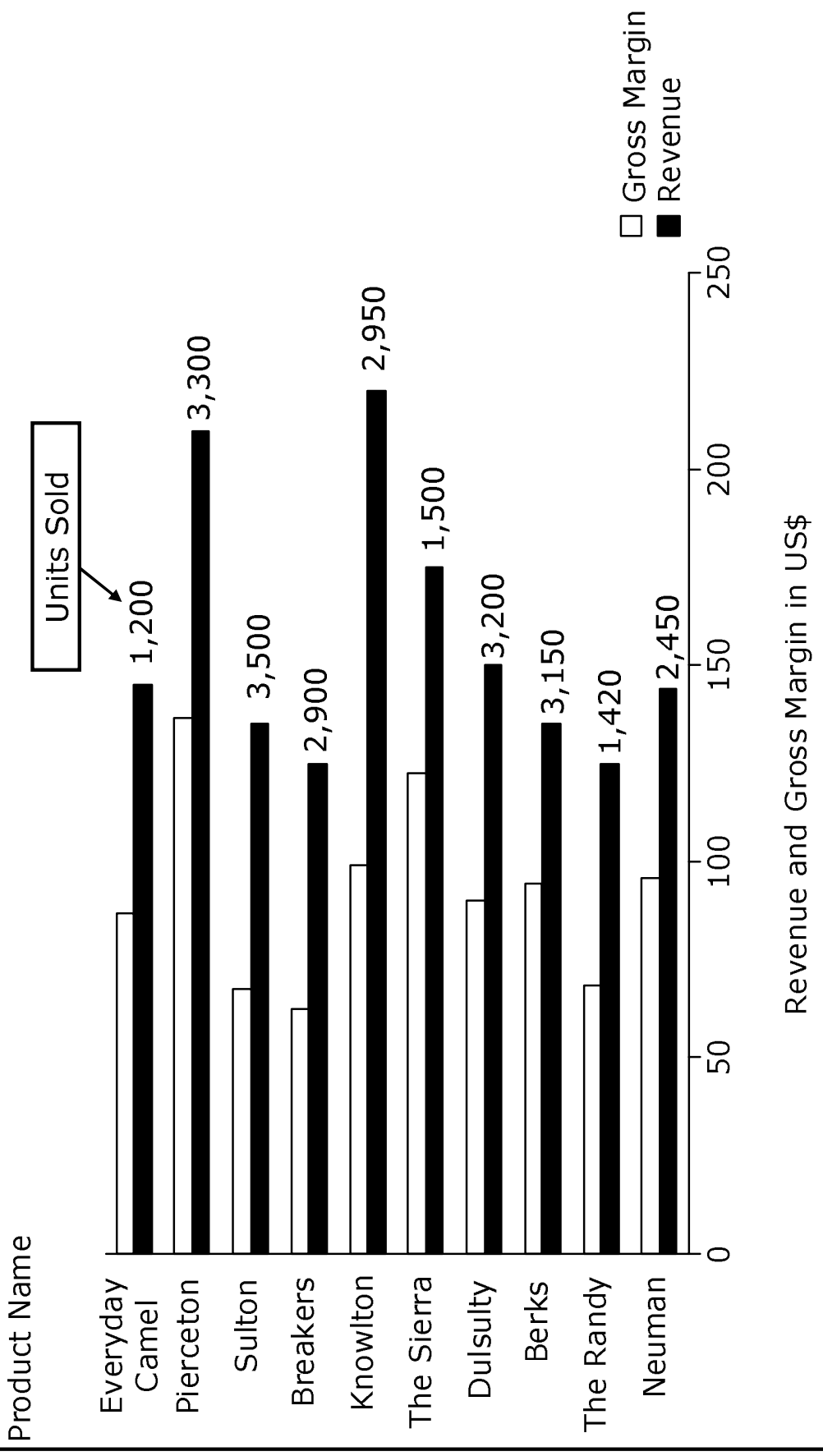
Gaps will occur as a result of removing some shoes. Wave 2 from Luigi will need to fill these gaps.

Candidate got the insight?: ☐ Yes ☐ No

HANDOUT A

6 Month Results

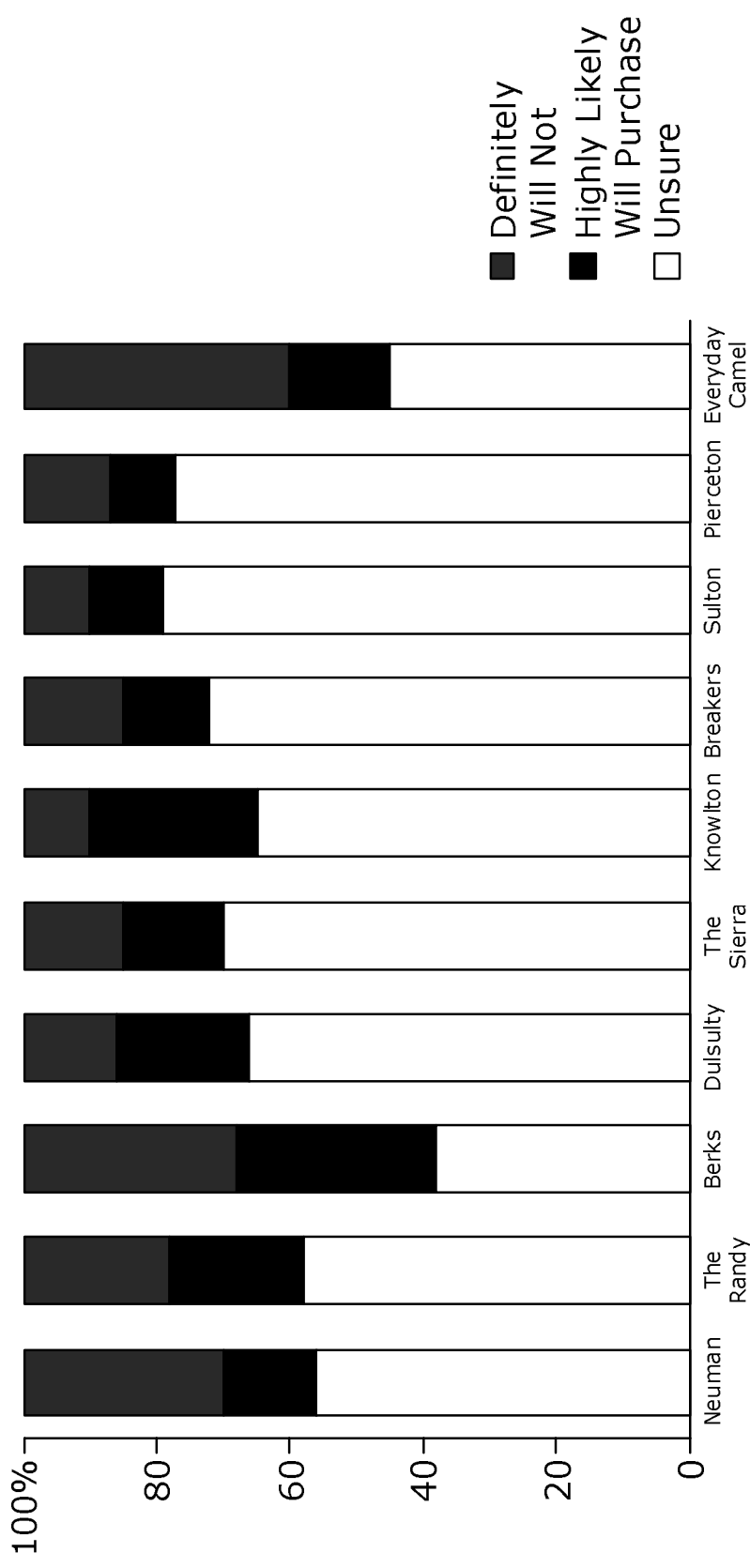
Revenue/GM per Unit and Units Sold in 6 Months



HANDOUT B

Predicted Purchases of "Highly Loyal" Customers

Survey Results: Interest in New Products



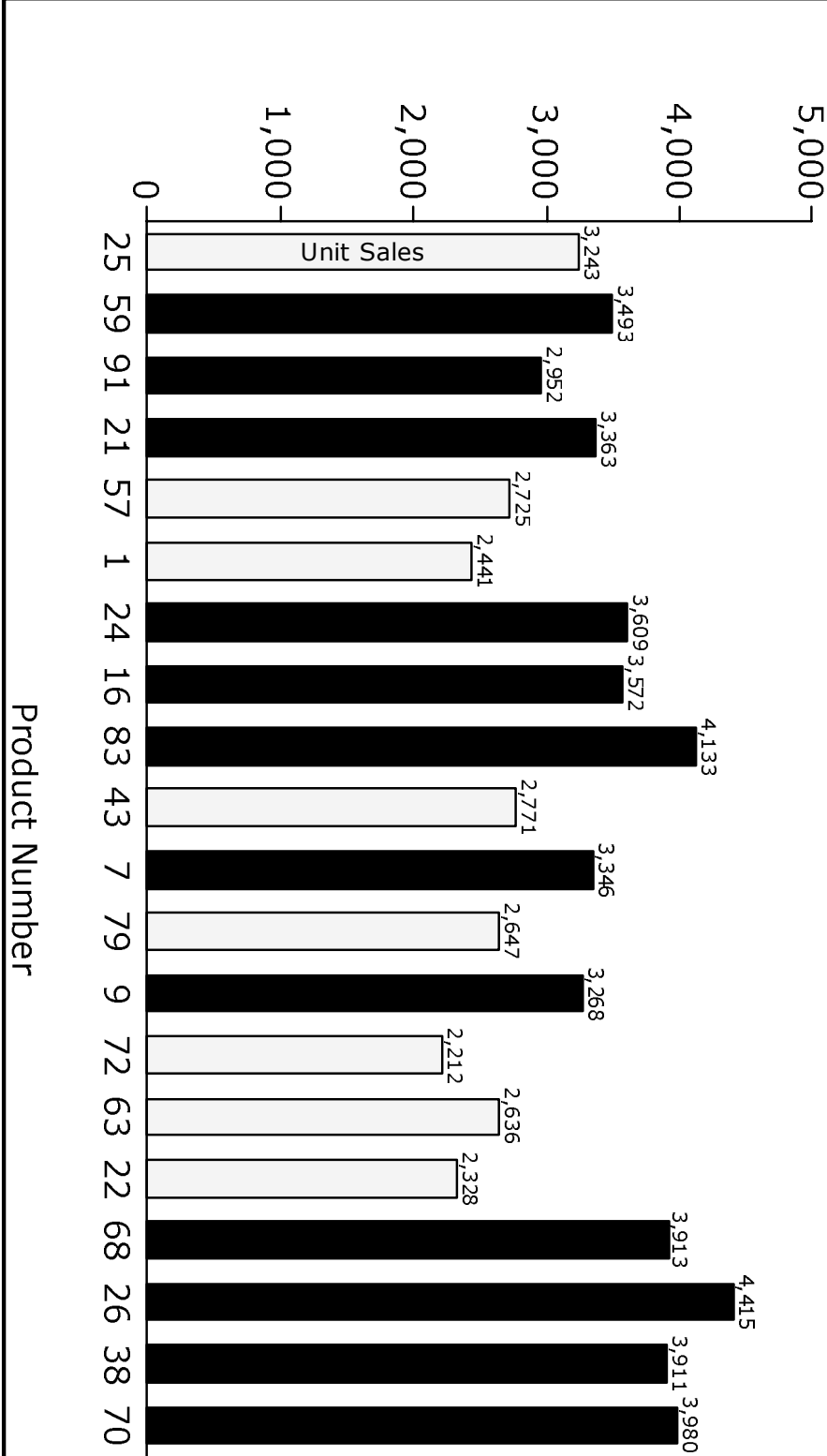
Product Name

HANDOUT C

Historical Profile of Last 25 Launches

Shaded bars indicate shoe lines that succeeded

Unit Sales Over 6 Months



HANDOUT D

- ☐ Weak
- ☒ Medium
- ☐ Strong

Style Map

	<u>Office Casual</u>	<u>Wear More Formally</u>	<u>Beach</u>	<u>Clubs</u>	<u>"Hip" Factor</u>
Neuman	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Randy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Berks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dulsultry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Sierra	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Knowlton	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Breakers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sulton	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pierceton	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Everyday Camel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



Re-routers and Heavy Lifting



Re-routers

Questions To Keep Things On Track

- ❖ **What do you think is a good basis for making this decision?**
 - Historical launches and their units sold
 - Gross margin contribution
 - Customer feedback or interest in the shoes
 - ❖ **What value is there in looking at gross margin?**
 - Gross margin is defined as revenue minus direct labor and materials. Reviewing gross margins gives you an idea of how much of a product's revenue is being eaten up by the cost to produce it.
 - In the case of C&G, most of the gross margin percentages were the same, so there was not a lot to explore. Making labor more efficient and/or reducing material costs would result in higher gross margins.
 - ❖ **What additional data would you like to see?**
 - ❖ **How can you make your answer more quantitative?**
-



Heavy Lifting

Questions To Make the Case More Difficult

- ❖ **If you had to cut two more, which shoe styles would you take out?**
 - Breakers & Knowlton
 - This key is to look at those styles which do not meet the 2,952 threshold. Both of these styles are just under threshold.
- ❖ **How reliable is the loyal customer data in predicting customer response to the new line?**
 - It's probably fairly reliable since these customers are regular buyers and know what they like. Even though C&G is trying to broaden their customer base, they don't want to lose their valuable core.

Interviewer Feedback

Planning & Logic

Excellent \longrightarrow Poor

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					You basically forgot about it

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I'd avoid you at cocktail parties
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion			You took control sometimes, but then let me drive		Adrift at sea

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			You missed some connections		You missed all the linkages between the data

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts					You seemed to solve the case from your gut
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					You couldn't even convince yourself, zero passion

Total Score:
(10-60)

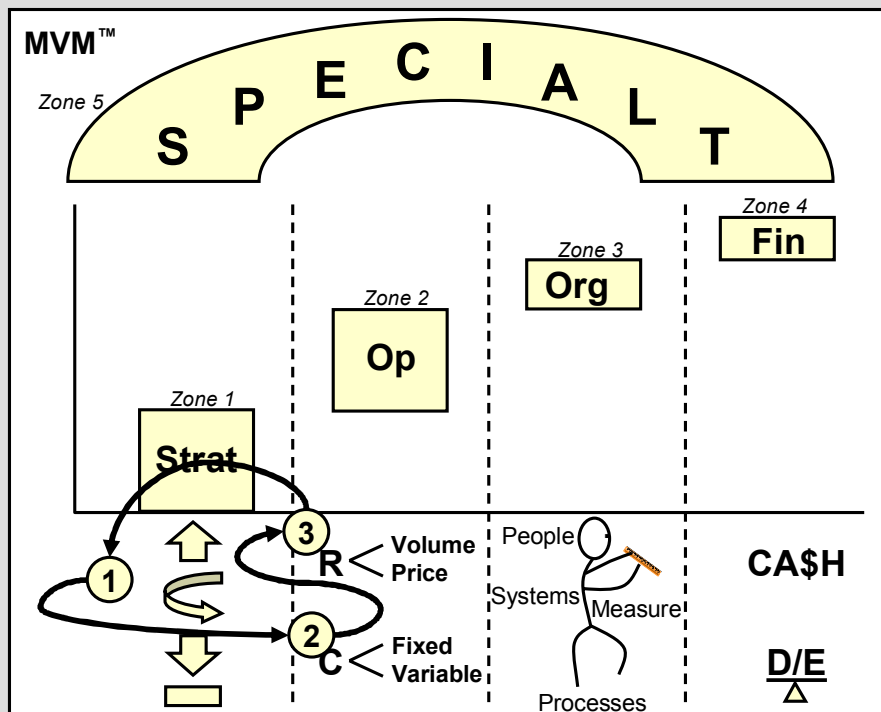
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

F – Form a Plan

- Even though this is a strategic situation for Clark & Gable, the case's central requirements are to analyze revenue and profit and narrow down the new product line. To maximize the company's value, your candidate should use data to eliminate the under-performing shoes.
- Keep in mind that this narrow problem stems from a much bigger issue: C&G needs to boost sagging sales. The successful candidate will touch on this broader issue.



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

- 1. Start in Zone 1, Strategy – Change Direction.** For now this is a placeholder in your mind until you solve the explicit question of narrowing the new shoe line. You should return here if possible.
- 2. Move to Zone 2, Operations.** How are the shoe lines performing? The most basic test is to determine how they compare in terms of unit sales, revenue and margin.
- 3. Stay in Operations.** After you have initially reduced the list, think about the implications.
 - Customer Response – How will our most loyal customers respond to these cuts? Should we be most concerned about this group, or should we look to new customers?
 - Historical Performance – How have successful shoes performed in the past?
 - Product Offering – What will these cuts do to our full offering today? Will there be holes?
- 4. Finish back in Zone 1.** Can you estimate the new line's growth potential and impact it may have on the company's profits? Is that impact sufficient?

Candidate Review Sheets

F – Form a Plan (cont.)

Suggested Answers, Diagrams and Behaviors



Good

“In order to evaluate the new line’s performance to date I’m going to focus on the basics: revenue, cost to produce, units sold and customer reaction. After I understand the fact base better, I’d like to talk about the strategic implications of my reductions. To begin, may I review any sales results you have for the first six months?”

(This is a common sense, relaxed approach. I know you’ll focus on the facts, but you haven’t forgotten about my main question. Even if your list of issues to be explored is incomplete, I know you are driving in the right direction. The opening question is a nice touch – it initiates conversation without demanding data right away.)

OK

“We need to consider several things here to ascertain whether the line is off to a good start. And I don’t want to lose sight of the strategic nature of this project. If C&G doesn’t start building some high growth products, they’ll have trouble in the long run. Let’s start by talking about revenue. Do you have any data on dollar and unit sales?”

(This outlines several issues to discuss, but you haven’t drawn a roadmap. I’m preparing myself for the “twenty questions” approach. You’re confident and I like that. I hope you find a direction soon.)

Weak

“Men’s shoes? What a bad business to be in. The shift to casual dress has been swift, and most shoe companies missed the boat. Clark & Gable is smart to try to come up with something new, although it may be difficult to make the change. Do you have information about their overall sales and how the new line is doing relative to existing lines?”

(The commentary isn’t completely off, but you don’t give the impression of being focused. A question this specific must be resolved immediately with razor-sharp focus. Only after this is it appropriate to discuss the decision’s impact and overall industry trends.)

Self Check



Notes:

☐

MECE (Mutually Exclusive, Collectively Exhaustive)

☐

Bottom line tone

☐

Fluent, not stammering

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Your job is to place a distraction here and there to find out whether your candidate can stay focused on the question. This will test how data oriented s/he is and whether or not s/he can discuss qualitative issues while still advancing the analysis. Consider posing the following questions:

- Do you think it was smart of management to use an Italian firm?
- How do you think C&G's customer base will respond to these more fashionable designs?
- Are loyal customers the right ones to measure? Since we are trying acquire new customers, don't we want to ask them?
- How do you think the two cultures are working together?

**Good Reactions/ Body Language:**

- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- "Ready to talk" body language, sitting on the front half of the chair, eager to discuss the case

Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in setting up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position

Self Check

Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Strong confident voice

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

What was your initial hunch? You may have not had a clue about which four shoes to remove, but you may have had some ideas about how to evaluate each product. As you move through your plan with a hypothesis anchored in your mind, remember the following:

- **Logical thinking** that stays focused on the profit maximization question
- **Common sense** about the implications of removing some lines that some customers may like
- **Big picture thinking** that returns to the strategic issue of C&G's overall business, time permitting

**Potential Hypotheses**

The key to using a hypothesis framework well is to anchor your initial thought and then look for data that will help you prove your hunch. You'll find this data as you move through the pieces of your plan. Of course, if the data shows that your hypothesis is wrong, then you still have an answer. It just will be opposite of what you originally thought. Here are some initial thoughts you may have considered:

Find the Top Revenue Producers

"Since I have to eliminate shoes based on only six months of data, I need to find the shoes that are the most popular or have produced the most revenue. Over time I'll drive down costs and increase margins on them."

Look for the Most Profitable Shoes

"Revenue is important but it is doubtful I will be able to drive down costs very easily. Instead I need to find the ones that produce the greatest profit or gross margin dollars. If they didn't do well in the first six months then they probably won't do better in the long run."

Consider the Portfolio and Seasonal Mix

"Since C&G launched ten shoes, it is likely that each shoe is playing a role in the overall portfolio. I need to look for any seasonal impact in the data and see if "dogs" are performing poorly because their purpose (e.g. winter boots vs. beach sandals). I don't want to eliminate a shoe that might do well later in the year."

Self Check

Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

Now you can mine for data. Use your plan as a guide as well as your initial hypothesis. Try to ask 2-3 questions in any section you explore.

Mining Zones

Revenue & Costs

- How much revenue do we typically make per shoe?
 - Revenue per shoe for the new line averages around \$150, plus or minus \$30 for exceptions.
- What are the costs and resulting gross margin per shoe?
 - Gross Margin % is hard to estimate from the chart, but \$ are easy to see: five shoes earn ~\$100, 3 shoes earn ~\$75, 1 earns \$125 and another \$150.
- In past launches, what is the typical number of units sold in the first six months?
 - Past successful shoes had 2,952 units sold in the first six months. This is a good benchmark.

Customer Reaction

- Will customers respond negatively when the shoes are cut from the line?
 - Using unit sales of 2,952 as a threshold, the four lowest performers are Everyday Camel, The Randy, The Sierra and Neuman. By selecting the ones that have the lowest unit sales, the fewest number of customers will be disturbed.
- What kind of shoes do our most loyal customers like?
 - Loyal customers were not fond of three of the four. The Sierra elicited an average response.

Shoe Portfolio

- What various lifestyle needs is our line trying to address?
 - Using the Style Map handout, you can draw some conclusions about potential gaps.
- What gaps will result in these eliminations? Will the gaps hurt our long-term sales?
 - If you eliminate the four shoes listed here, gaps will result in the "beach" and "club" categories. Also, some of the shoes considered to be more "hip" will disappear. This gap could be a problem as C&G tries to reach new customers.

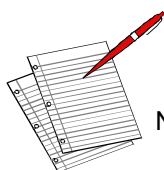
Candidate Review Sheets

M – Mine for the Answer***What did you learn?***

- **Company Philosophy:** Clark & Gable has tough standards, shown by its willingness to “cut bait” or eliminate new product lines only after 6 months of data. Given their long, successful history they must have some kind of insight into the timing and data necessary to make such quick decisions.
- **Units and Gross Margin:** Unit sales and gross margin percentages vary widely, but revenue is roughly in the same range for the ten products. About 7 of the 10 shoes provide gross margin dollars of over \$100 each. (Handout A)
- **Historical Success:** All shoe lines that succeeded in the last 25 launches exceeded unit sales of 2952 in their first six months. (Handout C)
- **Customer Feedback:** Loyal customers indicate that 4 shoes tend to be not liked as much: Neumann, the Randy, the Berks and Everyday Camel.
- **Style:** Most of the products are focused on the office casual, club and hip factor styles. Removing certain products may leave holes in the portfolio.

How does it tie together?

- **Use a logic rule to make your selection.** In this case sticking to the unit sale requirements is a good method. Four shoes do not take the historical cut-off of 2952 for the first 6 months. Knowlton is close enough and carries a large GM dollar contribution so you would probably want to keep it.
- **Check the downside.** From a total, six month gross margin dollar comparison, these four are good choices. Neuman rivals several others that were not selected, but loyal customers do not like it.
- **Consider the gaps.** Beach will not be covered with these choices. Next steps should include reviewing the portfolio coverage.

Self Check

Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Updates hypothesis

Math Zone

M – Mine for the Answer

Make estimates and round your numbers

Review the Slides

- Look for a simple method or “cutoff” to eliminate some of the shoes.
- One approach is to use the historical successful launches as a benchmark.
- Since every successful product in the past had at least 2,952 units sold in the first six months, that number may be a good start.

Apply Your Rule

- Shoes that do not have unit sales of at least 2,952 are:
➤ Everyday Camel, Sierra, Randy, Neuman

Check Implications

- **Customers:** Will they be upset if you cut these four? Not likely, given the loyal customer survey. Only the Sierra was borderline in terms of customers being unsure vs. interested in buying it.
- **Shoe Line:** Removing these four will create gaps in the “hip” and “beach” categories. This is a softer point and could lead to a discussion about what Wave 2 should try to fill.
- **Bottom Line:** From a gross margin point of view, what’s the impact? The table at they right (make this quickly during the interview) gives us a view.

Shoe	~GM \$	UNITS	<u>Rounded</u> Totals (K)
EC	100	1200	120
P	150	3300	500
SULT	75	3500	260
B	75	2900	220
K	100	2950	300
SIE	125	1500	200
D	100	3200	320
B	100	3150	315
R	75	1420	110
N	100	2450	250

Cutting these four will eliminate two that were contributing decent, six month total gross margin (SIE, N) and two that were at the bottom (EC, R).

Self Check



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Updates hypothesis

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

E – End the Case

What is the candidate's final conclusion? This should come within five minutes of the end of the interview so that you have time to discuss it. If s/he is not getting to a clear answer or if you're running out of time, ask:

- How would you wrap this up?
- So, what's your conclusion? Which four shoes would you eliminate?
- I just got a call from the CEO; she's going to drop by in a few minutes and wants to hear your thoughts on our new line. What do you want to tell her?

Additional Discussion Points

- By eliminating some shoes we make room for others, but what if the new shoes perform worse than expected?
- Do you believe you have determined the most optimized combination of shoes?



Good Ending: "Eliminating the following four shoes is the best solution for Clark & Gable: Everyday Camel, the Sierra, the Randy and Neuman. I'm basing my decision on historical measures of success for new products. These shoes represent one-third of our total gross margin from the first six months, but because they do not meet our six month benchmark of 2,950 units, I don't think they have long term potential. Most of them turned off our loyal customers as well. I want to look into the new line and ensure that the gaps left by these eliminations are filled."

(Good reasoning for eliminating the four shoes. I like the use of numbers to back up your answer. You are obviously ready to follow up as well.)

OK Ending: "Eliminating the following four shoes is the optimal solution for Clark & Gable given the data I have: Everyday Camel, the Sierra, the Randy and Neuman. Two of these shoes are liked less by loyal customers and most importantly do not meet the historical unit threshold for successful products. Their removal will create somewhat of a gap in the "beach" and "hip" niches, but Wave 2 will likely fill those holes."

(Good reasoning for eliminating the four shoes. If you say "optimal," be sure you have compared it numerically to some other options. I don't sense that you did.)

Poor Ending: "Everyday Camel, the Sierra, the Randy and Neuman all need to go for a variety of reasons. Mainly, the customers don't seem to be buying them, and our loyal customers don't really like them. Wave 2 will hopefully give us some better options."

(You could spend a little more time expounding on your reasoning.)

Self Check
☐
☐

Several clear points
Persuasive

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible



Notes:

Candidate Self Assessment

Planning & Logic

Excellent \longrightarrow Poor

1. I had a plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. My plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. I trusted my plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					I basically forgot about it

Communication & Composure

4. I was calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. I carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I didn't hold the interviewer's attention
6. I drove the case.	1	2	3	4	5	6
	Clearly in control, I took the case to a conclusion			I took control sometimes		Adrift at sea

Analytics

7. I analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, I didn't get the insights
8. I integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			I missed some connections		I missed all the linkages between the data

Recommendation

9. My final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up my thoughts					I tried to solve the case from my gut
10. I was persuasive in making my final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					I couldn't even convince myself, zero passion

Total Score:
(10-60)Do this self assessment before asking the interviewer for feedback.
How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?

Houdini Pretzel

Houdini Pretzel is all tied up in knots about what to do. Branded profits are falling and private label competitors may be the culprit. See if you can unravel this twisted tale.

Case Pack: 009

Difficulty (1-5): ★ ★ ★ ★

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 through 6 before beginning the case.

I

Pages
7 - 20

Interviewer

- **Prep time:** This case is rated 4 stars in terms of difficulty and has some complexities. Expect to invest at least **10-15 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8-9)
 - Handouts (p. 10-18)
 - Re-routers and Heavy Lifting (p. 19)
 - Candidate's "Mine for the Answer" sheet (p. 25)
- **Giving the case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 23. Fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
21 - 28

Candidate

- **Working with an interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10-15 minutes for this case.
- **After the Interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove any data handouts and place them face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with an interviewer who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

Houdini Pretzel, maker of Pretzel Twists and Ties, is a \$175M division of a large snack food conglomerate. Houdini is the largest manufacturer of pretzels in the US. Smith's Salty's is second, with approximately \$145M in sales. Like most manufacturers, Houdini improves factory utilization by making private label products for grocery chains. These chains sell private label pretzels that compete directly with Houdini and Smith's. In recent months, Houdini management has seen sales slip, largely due to a drop in private label prices. Also, Houdini has had to fight to maintain shelf space, as grocery chains are featuring their own products more prominently.

What should Houdini do to reverse this trend and increase their sales?

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer notes.

Candidate Notes

Math

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Interviewer Fact Sheet

Case Question

Houdini Pretzel, maker of Pretzel Twists and Ties, is a \$175M division of a large snack food conglomerate. Houdini is the largest manufacturer of pretzels in the US. Smith's Salty's is second, with approximately \$145M in sales. Like most manufacturers, Houdini improves factory utilization by making private label products for grocery chains. These chains sell private label pretzels that compete directly with Houdini and Smith's. In recent months, Houdini management has seen sales slip, largely due to a drop in private label prices. Also, Houdini has had to fight to maintain shelf space, as grocery chains are featuring their own products more prominently.

What should Houdini do to reverse this trend and increase their sales?

A Few Tips from David

- To give this case well you must clearly understand the handouts and the progression of insights.
- Most people avoid sizing the problem early in the case. Push for an exact value for the revenue drop.
- There are several layers to this case and ideally you want to cover them all. However, in about 30 minutes you probably will not have time. When providing feedback, bring up the remaining topics.

Intro Facts

(Tell the Candidate if Asked)

- **Products:** pretzel twists, ties and rods packaged in party-sized bags
- **Competitors:** Houdini Pretzel and Smith's make up over 70% of industry revenue. Private label products contribute an additional 15%.
- **How Private Label (PL) Works:** Private label products are the "generic" brand products you find in your grocery stores. They typically are sold under a brand name that matches the store name (e.g. "Acme Foods"). Grocery stores get their generic products produced by the same manufacturers that make branded product. Usually the generic recipes are slightly different and often of lesser quality.
- **Branded Company Perspective on PL:** Companies that have branded products like to fill the excess capacity in their plants with private label products. They don't like to compete with these private label products, but often regard them as a necessary evil.

Key Insights

(Do Not Tell the Candidate)

Historical Pricing: In slide Handout A, prices for private label have begun to fall since October '02. Houdini and Smith have stayed relatively constant.

Pricing Gap: Since October '02, the pricing gap between Houdini's pretzels and private labels has exceeded 15 cents. When the savings per unit is this large, consumers switch from Houdini's to private label products.

Volume Change: The shift in pricing gap has caused a reduction in the volume of pretzels Houdini sells.

Plant Manger Incentives: Plant managers have an incentive structure that affects their personal bonus. If they keep plant capacity above 90% then there are no "losses" to the company. If the plant utilization falls below 90% then the company loses money. These "losses" are accounting measures though, and are not necessarily actual bottom line dollars.

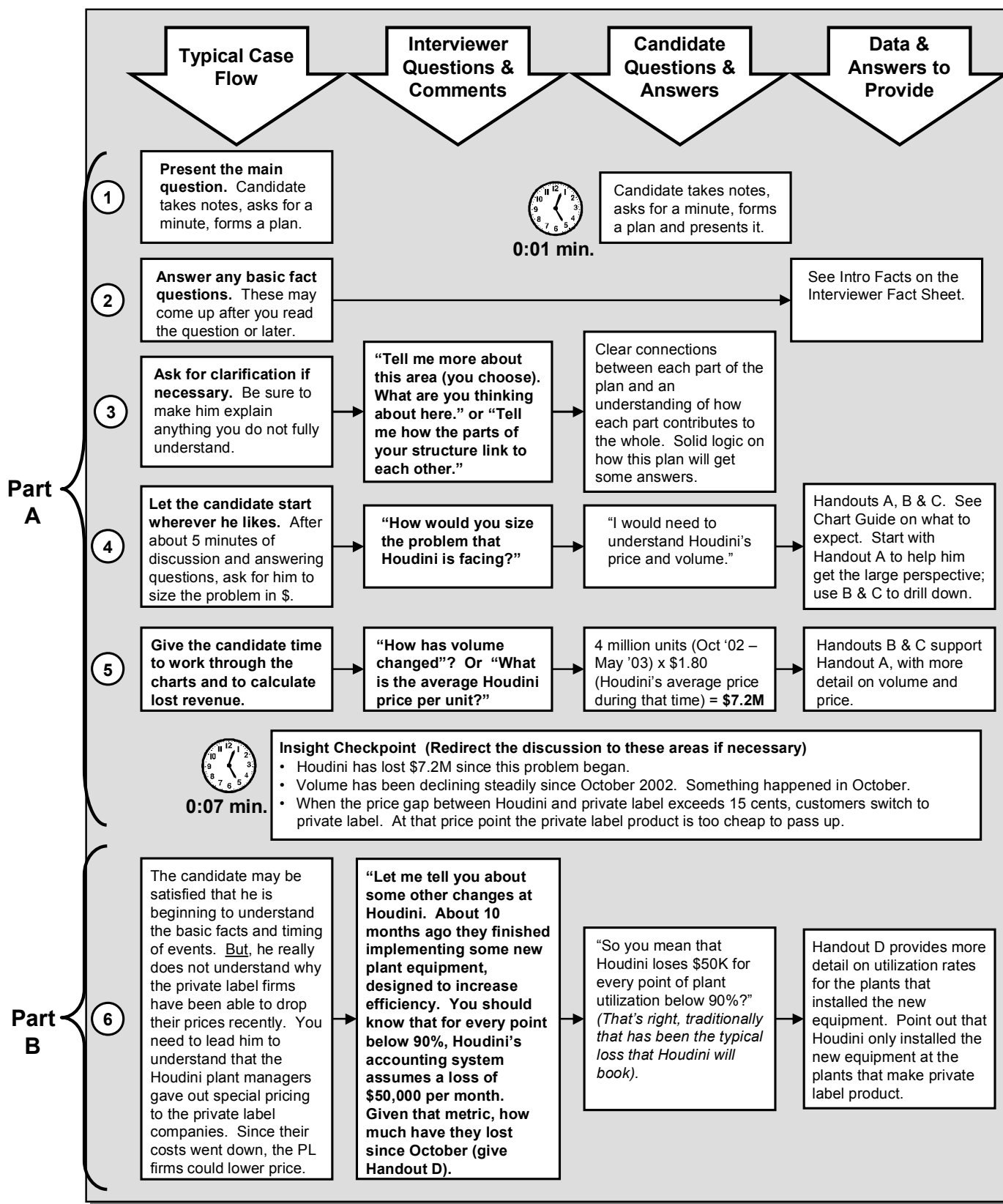
On-Track Indicators

- ✓ **Establishes a baseline early** – asks for historical pricing to assess the problem
- ✓ **Recognizes the complexity of the problem** – outlines the competing and symbiotic elements
- ✓ **Thinks like an owner** – comes up with solutions that are more than theoretical, but instead tries to practically take advantage of Houdini's strengths

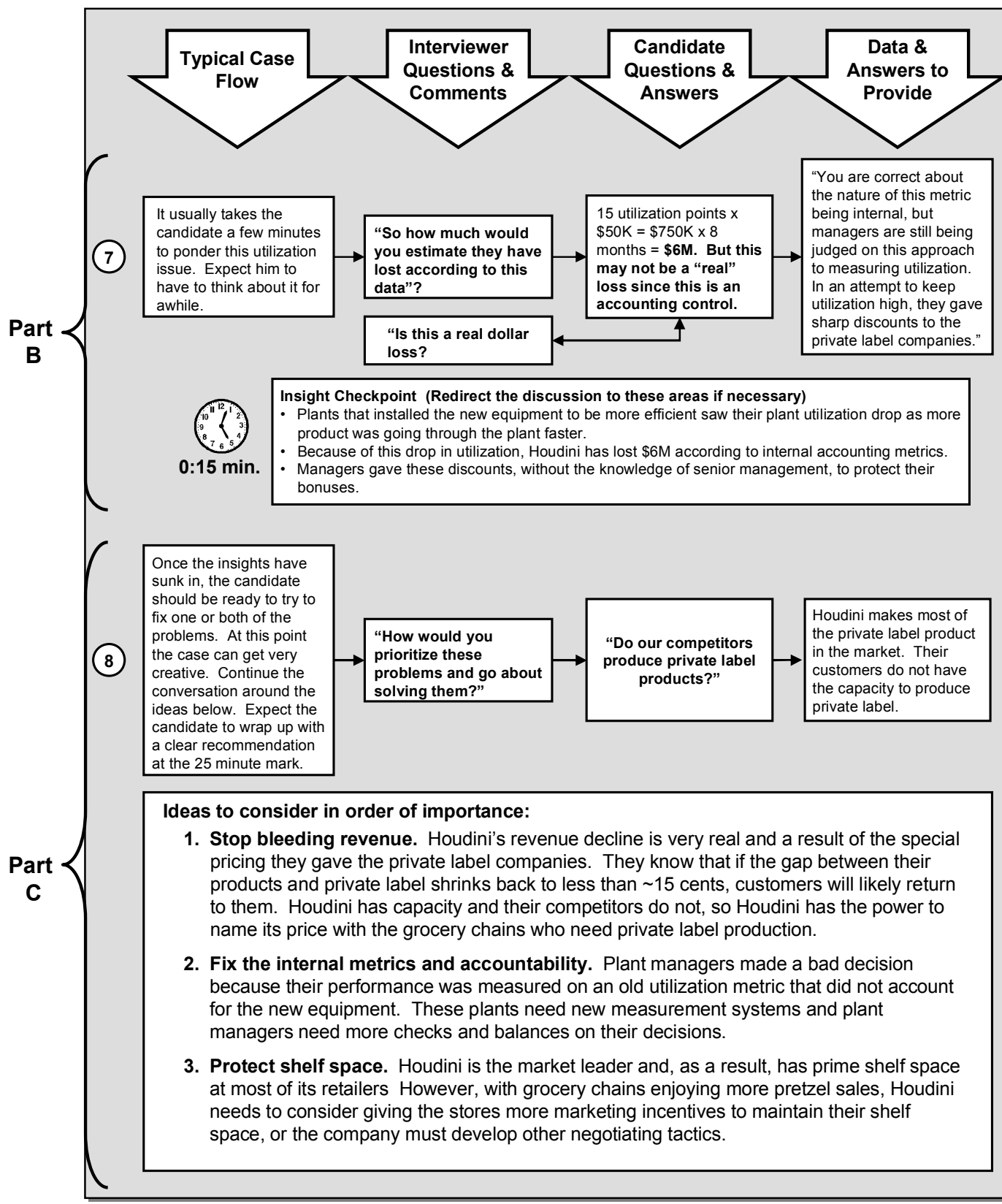
Off-Track Indicators

- ✗ **Does not build a fact base** – this case cannot be solved without establishing a pricing trend over time
- ✗ **Oversimplifies Houdini's role** – pricing strategy requires consideration of both customers and competitors
- ✗ **Misses critical supporting elements** – Houdini has to ensure that changing its pricing structure will not hurt other areas of its business

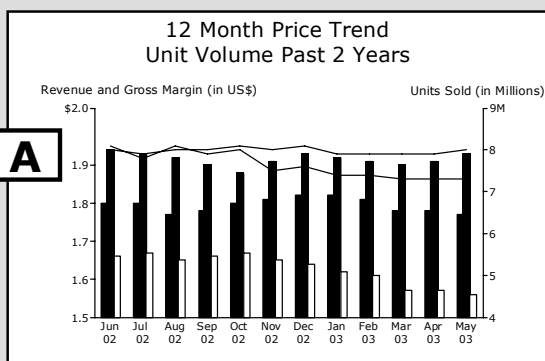
Case at a Glance



Case at a Glance



Handout Guide



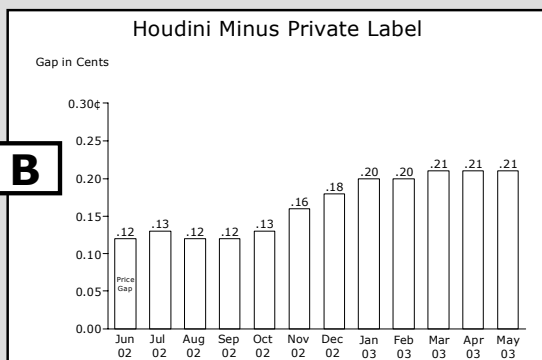
Candidate:
Interviewer:

Do you have any pricing data?
Here's some unit volume and price data for the past 2 years. **What trend do you see?**

Main Insight:

As private label prices declined, total Houdini sales volume also declined. Also, relative to last year, volume is down considerably. Prices for both Houdini and Smith's have remained stable.

Candidate got the insight?: ☐ Yes ☐ No



Candidate:

Do you have Houdini prices vs. private label prices?

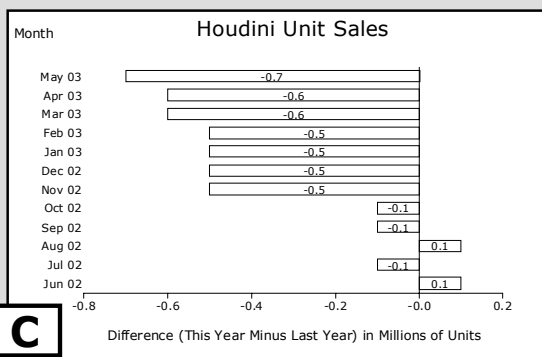
Interviewer:

Here's another way to look at the price gap (from slide A) between Houdini and the private label brands. **What jumps out at you?**

Main Insight:

The gap increased for several months and then leveled off. The price gap correlates to the volume drop (slide A).

Candidate got the insight?: ☐ Yes ☐ No



Candidate:

Do you have any more detail on the unit sales?

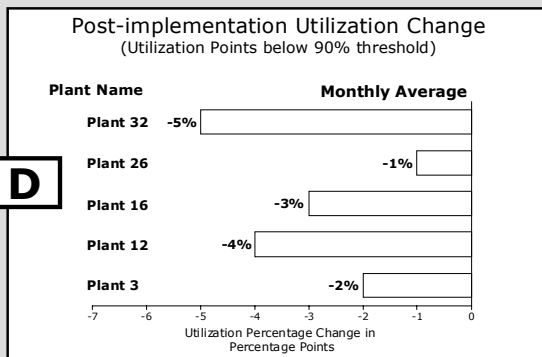
Interviewer:

Here's a detailed view of the volume on slide A. **What's the insight here?**

Main Insight:

Unit sales have been off consistently at the end of '02 and into '03. The volume drop corresponds to the increase in price gap between Houdini and the private label brands.

Candidate got the insight?: ☐ Yes ☐ No



Candidate:

Do you have any plant utilization information?

Interviewer:

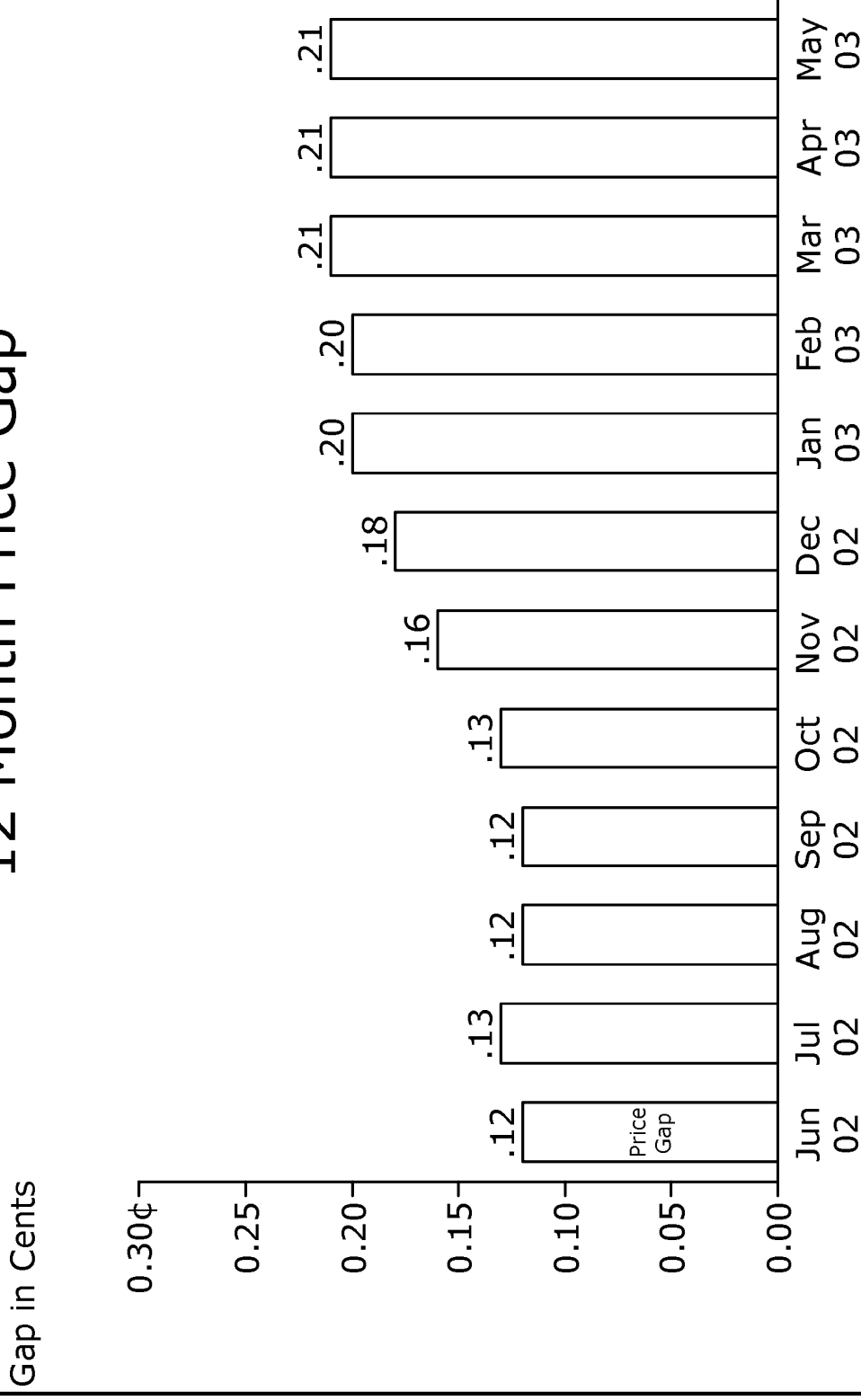
Here is some utilization information by plant that you may want to review. How much is the loss? Why do you think the utilization rates went down? 15 points x \$50K = \$750K x 8 months = \$6M. Utilization rates fell because the new equipment was considerably more efficient.

Main Insight:

Candidate got the insight?: ☐ Yes ☐ No

HANDOUT B

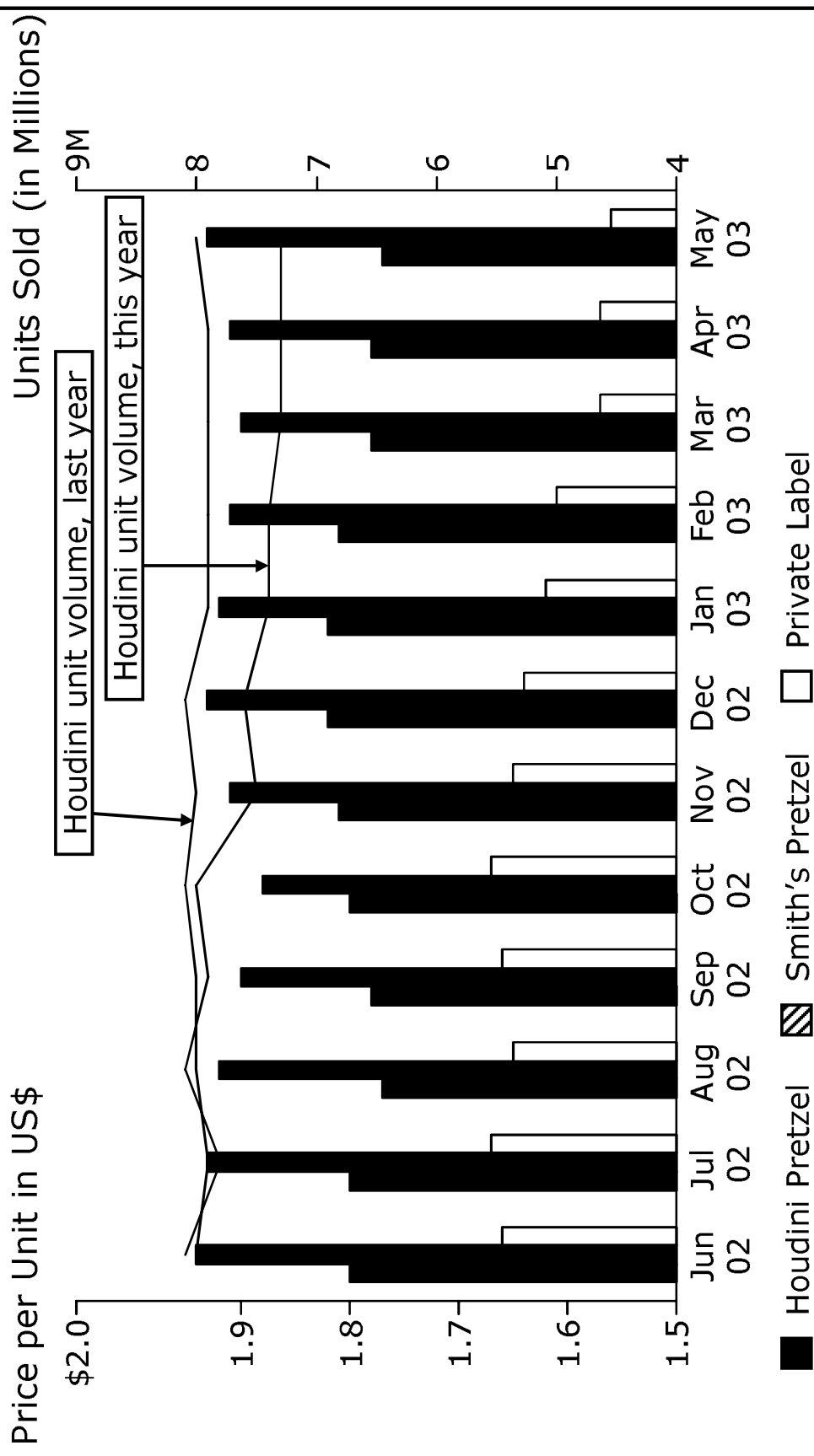
Houdini Minus Private Label 12 Month Price Gap



Houdini Pretzel (Case Pack 009)

HANDOUT A

12 Month Price Trend (Unit Volume Past 2 Years)



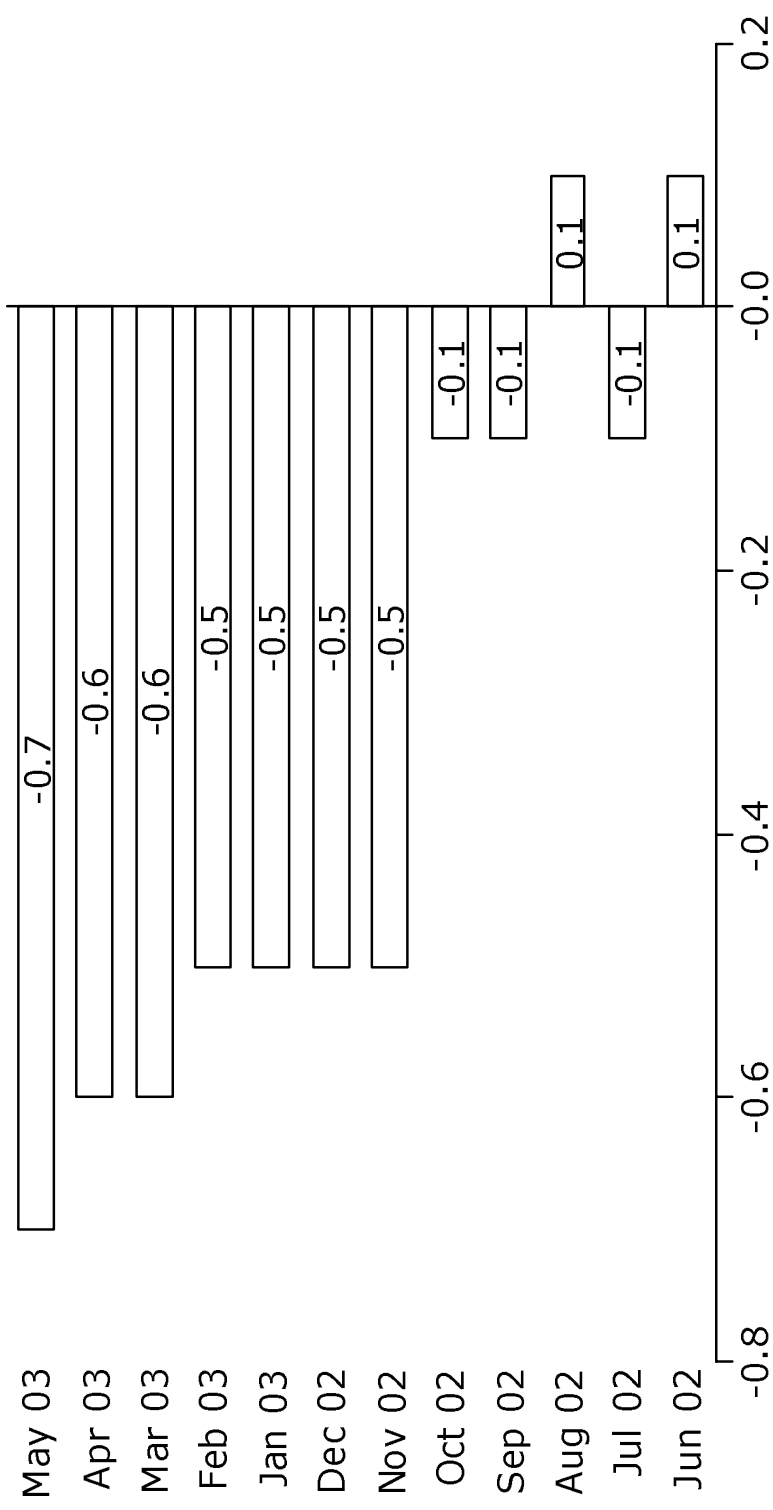
Houdini Pretzel (Case Pack 009)

HANDOUT C

Houdini Unit Sales

This Year Minus Last Year

Month

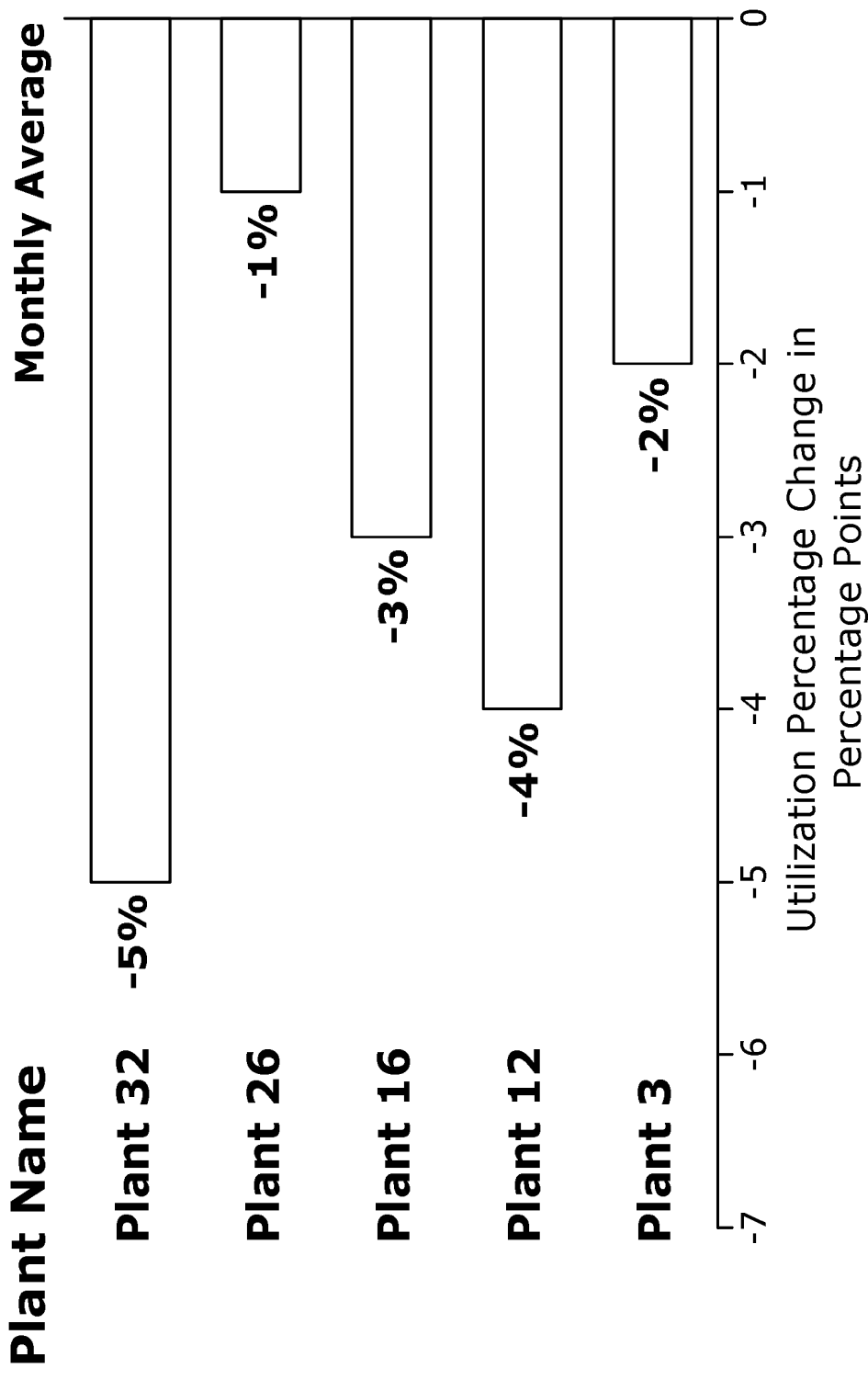


Difference (This Year Minus Last Year) in Millions of Units

Houdini Pretzel (Case Pack 009)

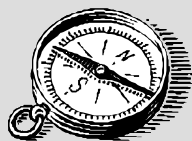
HANDOUT D

Post-implementation Utilization Change (Utilization Points below 90% threshold)



Houdini Pretzel (Case Pack 009)

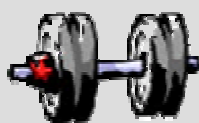
Re-routers and Heavy Lifting



Re-routers

Questions To Keep Things On Track

- ❖ **Do you think there is a direct cause for the private label reduction in retail prices?**
 - We know that the price drop is consistent for all private label.
 - We know that Houdini supplies almost 80% of all private label.
 - Cause and effect is likely.
 - ❖ **Do you think that customers will behave in a consistent pattern?**
 - Customers tend to change behavior when prices reach a certain level.
 - Food products are especially sensitive to these changes.
 - ❖ **What additional data would you like to see?**
 - ❖ **How can you make your answer more quantitative?**
 - ❖ **What specific insight does this data give you?**
-



Heavy Lifting

Questions To Make the Case More Difficult

- ❖ **How would you change your answer if grocery store chains decide to keep the retail prices at present lower levels despite increases in private label production costs?**
 - We need to force the grocery chains to return pretzel prices to within 15¢ of the branded product. If the first production cost increase does not achieve it, we may have to increase their costs again.
- ❖ **This situation turns nasty. Several grocery chains threaten to drastically reduce shelf space unless Houdini continues the reduced production pricing. What would you do?**
 - Play hard ball. There is no place for these grocery chains to turn if Houdini cuts them off. Plus, Houdini is the market leader so its products generate traffic and sales for the stores. This is most likely an empty threat, or one that is not data-driven. Such a move would hurt the stores in the long run.

Interviewer Feedback

Planning & Logic

Excellent —————> Poor

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					You basically forgot about it

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I'd avoid you at cocktail parties
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion			You took control sometimes, but then let me drive		Adrift at sea

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			You missed some connections		You missed all the linkages between the data

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts					You seemed to solve the case from your gut
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					You couldn't even convince yourself, zero passion

Total Score:
(10-60)

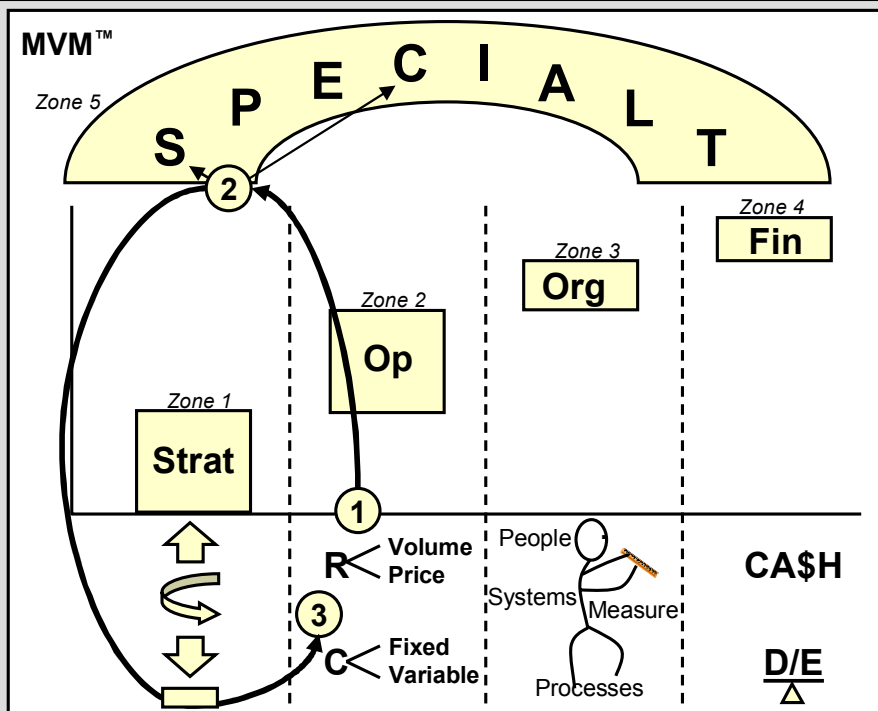
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

F - Form a Plan

- Houdini is pretty sure it is losing branded share due to the private label's drop in prices. What is not clear is the true cause of the problem and what Houdini can do to fight back.
- If private label companies are able to lower prices, then Houdini may be able to do the same. If the private label companies are lowering prices due to price breaks from their manufacturer (namely Houdini and Smith's), then perhaps Houdini can raise the cost of manufacturing. A good roadmap will get to the heart of this issue quickly.



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

- 1. Start in Zone 2, Operations, Revenue.** A quick review of volume and price will help Houdini assess the size of the problem.
 - **Volume** – When did the units start dropping off? Has it been sharp or gradual?
 - **Price** – How big is the price gap between Houdini and the private label companies? When did it change? Can it be correlated to the volume change?
- 2. Move to Zone 5, External Forces.** Two areas need to be explored.
 - **Supplier** – Houdini is the supplier to some of these private label brands. Has Houdini changed their relationship with these companies? How about the amount they charge?
 - **Competitors** – Houdini is a competitor of the grocery stores' private label products. At the same time, Houdini needs the stores' shelf space. What will happen if Houdini charges more to produce the PL products? How will Smith's respond if Houdini raises prices?
- 3. Return to Zone 2, Price.** Determine if Houdini can increase prices for the manufacturing of pretzels in its plants. If time permits, move to costs and determine if additional costs can be removed from the Houdini system. The cost reductions will shield Houdini from additional price decreases.

Candidate Review Sheets

F - Form a Plan

Suggested Answers, Diagrams and Behaviors

**Good**

"There are several issues I would like to explore: the drivers of the revenue decrease, price and volume, and how they have changed over time; external factors like suppliers and competitors to see if anything has changed. Together I think these issues will get to the bottom of the problem. If we have time it would be good to also discuss any actions that competitors are taking. I would like to start with revenue unless you would prefer me to begin elsewhere."

(Very direct and clear about what path you want to take. I like how you framed the competitor discussion as a "nice to have". You created a tone early in the case where I know I can redirect you. Good start.)

OK

"Since we're talking about a loss in revenue I would like to start with volume and price. Let's figure out where the problem is with these two variables and then discuss other issues as appropriate – like what the private label competitors are doing."

(Not a bad start. You covered the same topics as the Good answer but in a shorter way. I like how direct you are and how you understand that some issues may not be relevant later in the case. You could have mentioned costs and how they may be a factor in helping Houdini deal with this competitive threat.)

Weak

"With sales slipping Houdini needs to look at everything that impacts revenue: the sales force, store shelf space, prices, competitor share gains and of course volume. Do you have data on any of these."

(Well thanks for the laundry list. We'll have a lot, maybe too much, to discuss. I would appreciate a little more focus when you start the case and when you ask for data. But, you seem confident, so I'll wait and see where this case is going.)

Self Check

Notes:

☐

MECE (Mutually Exclusive, Collectively Exhaustive)

☐

Bottom line tone

☐

Fluent, not stammering

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Play the Silent Partner role and see how the candidate responds. Give data when asked but do not overwhelm him with additional facts or “free” information. Silence is an excellent test to read the candidate’s confidence and ability to stay calm.

**Good Reactions/ Body Language:**

- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- “Ready to talk” body language, sitting on the front half of the chair, eager to discuss the case
- Strong confident voice

Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in getting set up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness
- Shaky voice at times

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position
- Nervous or weak voice

Self Check

Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Strong confident voice

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

What were you thinking with regard to the revenue loss? Did you think that price was the main driver? As you mentally prepare to ask questions consider if your thinking meets these thresholds:

- **Data driven** in trying to discern what is happening with prices
- **Realistic** in assessing Houdini's market strength, their ability to change prices and the private label company's response to changes
- **Logical and systematic** when reviewing the handouts

**Potential Hypotheses**

These ideas and others may be swimming through your head as you begin the case. You do not need to explain your hypothesis to the interviewer, but use this mental anchor to help you structure your questions as you move through your plan. Here are some potential hunches:

Pricing

"Houdini is getting beaten at price. Maybe they should consider lowering price to get their market share back".

Supplier Power

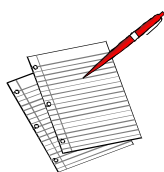
"Since Houdini produces product for private label companies, I wonder what kind of control they have over the price they offer the PL companies. I bet they can raise prices on what they offer the PL companies".

Competitors

"PL companies may be getting better prices from competitors, who are trying to erode Houdini's market share".

Grocery Store Pushback

"Since stores are enjoying additional profit from their own pretzel brands, they are probably taking away Houdini's shelf space. This change may be making it more difficult to sell the same kind of volume".

Self Check

Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

How good were your questions? Typically it is good to try to ask 2-3 questions in any section you explore. Here are some good areas and examples.

Mining Zones

Houdini Volume

- **Have private label prices dropped over time?**
 - Yes. They took a sharp downturn in Oct 2002. See Handout A.
- **Does the PL price drop and the Houdini volume drop correlate?**
 - Yes. When the price gap between branded product and PL product exceeds 15¢, customers switch to PL.
- **Does volume fluctuate due to seasonality?**
 - Yes. It slightly increases in the summer.

PL Company Costs

- **What have been the historical charges to PL companies for production?**
 - There's no data on typical charges to PL companies.
- **Does Houdini sell much product to PL companies?**
 - Yes. They have several plants that produce a large portion of the PL.
- **Is the manufacturing cost the majority of the costs to produce?**
 - Yes. PL companies leverage the labor force and distribution channels in place.

Supplier Power

- **Do private label companies have many options for getting their production done?**
 - No. Houdini produces 80% of the product. Smith's has little capacity to take on more PL.
- **Does Houdini have control over how much they can charge the PL manufacturers?**
 - Yes. Their contracts are not long term. In fact, many of the Houdini plants recently reduced the price they charge PL companies.

Competitors

- **Has Smith's seen their volume drop over the last 10 months?**
 - No. Smith's produces very little PL product. Their branded product has remained stable.
- **Does it appear that grocery stores are trying to push out Houdini's product?**
 - No. They are pushing their own product but understand the draw of Houdini products. Pretzel sales help push high margin, soft drink sales.

Industry Trends

- **Have overall sales of pretzels dropped or been displaced by other snacks?**
 - There's no data to indicate that anything has changed in terms of overall industry pretzel sales.
- **Is there a trend for consumers to eat cheaper brands of pretzels?**
 - No macro trend exists. Some portion of consumers will continue to switch between branded pretzels and private label depending on the price.

Shelf Space

- **Has Houdini seen a uniform drop in their shelf space at grocery chains?**
 - No. They have had more pressure in that direction but it has not been consistent across grocery stores.
- **Would a reduction in display space have an impact on the volume of product sold?**
 - It would have a minimal impact since Houdini's distribution process ensures that fresh product is always in stock.

Candidate Review Sheets

M – Mine for the Answer

What did you learn?

- Houdini has a revenue problem that is driven by volume drops (not price).
- Volume drops seem to be related to PL competitors' price reductions.
- PL competitors have been able to lower their prices mainly due to Houdini's price breaks.
- If consumers have to pay more than 15 cents more for branded pretzels, they switch to PL.
- Price discounts given to private label companies did not increase the amount of PL volume going through the plants.
- Plant managers gave discounts mainly to protect their own bonuses since they were being judged by an internal, outdated utilization metric.
- Houdini provides most of the PL production for the industry.
- No other competitor is able to take on additional production, leaving grocery chains without an alternative location for production.
- Explore other alternatives for increasing overall utilization at the plants.
- Market the Houdini brand more aggressively, leave prices for private label products where they are
- This answer results in additional costs to Houdini, and does not address the root issue—the lowered production costs for private label.

How does it tie together?

- Houdini is in the driver's seat in this situation:
 - they gave the price break to the private label companies (and can take it back)
 - they are the largest manufacturer for PL and can control price
 - Losing shelf space is not a huge threat since Houdini product is in demand
- Houdini's priority is to reduce the volume drop and must get consumers to switch back
 - Pushing PL price back to its historical levels will most likely work.
 - Consumers may not. They may find the private label quality acceptable.

Self Check



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Updates hypothesis

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

E – End the Case

What is the candidate's final conclusion? This case is rather complex so the candidate may have trouble pulling together a crisp ending. Push them to conclude when you feel the time is up:

- How would you wrap this up?
- So what's your conclusion? What should Houdini do?
- How is Houdini going to take care of this private label problem?

Additional Discussion Points

- Houdini could make a lot of enemies by returning production prices to their original level. How would you recommend they communicate their messages to the grocery chains?
- What kind of internal tracking systems does Houdini need in the future to alert them of these kinds of problems?



Good Ending: "Houdini is looking at an erosion of about \$7M of revenue over eight months, or a little less than 5% of sales. The cause of the decline was a bad decision on the part of the plant managers to give the grocery chains a 5¢ per unit reduction. This seemingly small discount gave private label the ability to siphon some of our customers and reduce our sales volume. Our first priority is to get volume back. Since Smith's is at full capacity, we control most of the private label production. My conclusion is that we should raise prices. To address the utilization problem in the plant, we should consider plant consolidation and new business leads."
(You outlined the big picture with numbers while still hitting all of the key issues. Great job!)

OK Ending: "Houdini needs to close the retail pricing gap to within 15¢ of their branded product to get volume back up. It seems that the discount we are giving them is hurting us in our branded sales. Since we control the majority of private label production and Smith's appears to be at full capacity, we can raise prices without fear of losing their business. As for shelf space, we need to review our promotional advertising with the stores and offer additional incentives."

(Good answer in terms of giving me all of the actions you would take. You hit all the key issues with a plan. I would have like to hear a little more data.)

Poor Ending: "We need to close the pricing gap between Houdini and the private label competition. We can do that by increasing the amount we charge the grocery companies to produce private label in our plants. After that we'll need to spend time negotiating with the grocery chains for better shelf space and also make sure that they're not angry about the price hike."

(Not awful but you missed some key issues like plant utilization. The shelf space issue is not primary.)

Self Check
☐
☐

Several clear points
Persuasive

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible



Notes:

Candidate Self Assessment

Planning & Logic

Excellent \longrightarrow Poor

1. I had a plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. My plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. I trusted my plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					I basically forgot about it

Communication & Composure

4. I was calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. I carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I didn't hold the interviewer's attention
6. I drove the case.	1	2	3	4	5	6
	Clearly in control, I took the case to a conclusion			I took control sometimes		Adrift at sea

Analytics

7. I analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, I didn't get the insights
8. I integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			I missed some connections		I missed all the linkages between the data

Recommendation

9. My final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up my thoughts					I tried to solve the case from my gut
10. I was persuasive in making my final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					I couldn't even convince myself, zero passion

Total Score:
(10-60)Do this self assessment before asking the interviewer for feedback.
How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?

MoMo Mui

Can an upscale Japanese brand with a fifty year tradition be transported abroad? MoMo Mui, a Tokyo based salon of world renowned beauty products and services, may be a bargain brand for three young entrepreneurs looking for a new angle on the women's beauty market. Explore the value of this classic company and determine if bringing East to the West spells success.

Case Pack: 010

Difficulty (1-5): ★ ★ ★ ★ ★

Crack the Case:
How to Conquer Your Case Interviews





Case Answers and Interviewer Notes

Candidates should not read through this pack until completing the case. Remove pages 3 through 6 before beginning the case.

I

Pages
7-30

Interviewer

- **Prep time:** This case is rated 5 stars in terms of difficulty and has some complexities. Expect to invest at least **10-15 minutes** preparing. Review the following:
 - Interviewer Fact Sheet (p. 7)
 - Case at a Glance (p. 8-10)
 - Handout Guide and Handouts (p. 11-28)
 - Re-routers and Heavy Lifting (p. 29)
 - Candidate's "Mine for the Answer" sheet (p. 35)
- **Giving the case:** Start the interview realistically - greet, shake hands, chat and introduce the case. To make the interview more challenging consider taking on an interviewer personality. For tips look at p. 33. Fill out the Interview Feedback sheet and discuss strengths and weaknesses with the candidate.

C

Pages
31-39

Candidate

- **Working with an interviewer:** Remove pages 3 through 6 to take notes and do your work. Give the rest of the pack to your interviewer. Interviewer prep is about 10-15 minutes for this case.
- **After the interview:** Rate yourself using the Self Assessment sheet in the back of the case pack. Review the feedback score and comments from your interviewer and discuss ways to improve. Review the suggested answers in the case.
- **Self-study:** Remove pages 3 through 6 to take notes and do your work. Remove any data handouts and place them face down. Follow the three **Self Study Steps** listed on these sheets. This self study method will help you form your plan, practice asking good questions and improve your ability to pull insights from the data slides. Keep in mind that you will benefit most from working with an interviewer who can evaluate your performance objectively.

Throughout these notes references will be made to the **MVM™ (Maximum Value Model)** and the **FRAME Method™**, the building blocks of the **One Model/One Method™** approach to case interviews. Full descriptions of these unique tools, as well as additional cases, can be found in the book, **Crack the Case: How to Conquer Your Case Interviews**, available at www.consultingcase.com.

The facts of this case, company names and answers are completely fictitious. Any resemblance to actual people, places, companies and strategic outcomes is entirely coincidental.

Self Study Step 1: Read the case question below out loud. After hearing the question, use your Candidate Notes page to write down the most important Case Facts. On that same sheet take about 1 minute to develop your plan in the Form a Plan section.

Case Question

MoMo Mui is one of the oldest and most prestigious names in Japanese women's beauty. Founded in 1950, MoMo Mui has been the mecca for Japanese women, starlets and models from around the world. This renowned salon focuses on offering the best hair care in the world. Considered to be a high quality but underdeveloped brand, MoMo Mui has caught the eye of three Stanford female MBA's looking to purchase the brand rights to North America. They are struggling with whether it is a good idea to buy this brand. Their lead investor will only lend start-up capital if he can be shown that the salons can produce annual profit of \$3M by year six.

Can you develop an approach for the trio to help them meet these targets? Given what you find out during the case, recommend if they should buy the rights to N.A.

Candidate Notes

Case Facts

Form a Plan



Self Study Step 2: After taking notes and forming your plan, rotate the sheet to face your imaginary interviewer and present your plan out loud (just as you would if you were standing and presenting your thoughts from a white board). Practice posing questions and thoughts about the main sections of your plan.

Self Study Step 3: After you have presented your plan and practiced asking questions about the different areas of your plan, being working through the data slides for this case. If there are no slides, you can review the answers in the interviewer notes. If there are slides, turn them over one slide at a time and talk through the insights for each slide. When you are done, review the interviewer notes.

Candidate Notes

Math

--	--

Interviewer Fact Sheet

Case Question

MoMo Mui is one of the oldest and most prestigious names in Japanese women's beauty. Founded in 1950, MoMo Mui has been the mecca for Japanese women, starlets and models from around the world. Considered to be a high quality but underdeveloped brand, MoMo Mui has caught the eye of three Stanford female MBA's looking to purchase the brand rights to North America. They are struggling with whether it is a good idea to buy this brand. Their lead investor will only lend start-up capital if he can be shown that the salons can produce annual profit of \$3M by year six. **Can you develop an approach for the trio to help them meet these targets? Given what you find out during the case, recommend if they should buy the rights to N.A.**

A Few Tips from David

- This case is heavy on the slides. Some of this data is not necessary for solving the case. Candidates often ask for more information than they need, so expect to entertain quite a few tangential questions.
- Your goal is to lead the candidate to perform analysis on both the products and new salons.
- If the candidate's final recommendation is too aggressive, be sure to discuss start-up limitations.

Intro Facts

(Tell the Candidate if Asked)

- **Salons:**
 - Loyalty** – women tend to be loyal to their stylist/salon. Switching rates are < 20%.
 - Salon Utilization** – it takes roughly 5 years to reach "full" utilization (usually "full" is defined as each chair being utilized 70% of the time).
 - Competitor concentration** – the industry is very fragmented. Rejuva, the largest chain, only controls a small portion.
 - Failure rate** – No actual data available; in general, most salons succeed if given enough time
- **Products:**
 - Breadth** – MM product line includes a full range of haircare products (shampoos, conditioners, styling products) and bath products (bath & shower gel, soap).
 - Quality** – currently carried by high quality Tokyo retailers, including Murui-Murui and Seibu.
 - Manufacturing** – all products are manufactured in Hong Kong, with the exception of soaps, which are manufactured in Japan.
 - Competition** – there are few competitors; it is a very fragmented industry
- **Investors:**
 - Financing** – one investor is driving the funding, so the team wants to meet his demand
 - Team** – The three entrepreneurs are smart and driven, but have little domain experience

Key Insights

(Do Not Tell the Candidate)

- **Salons are too expensive to launch at first:** Opening salons is a way to push products and increase brand awareness, but the initial capital outlay for the salons is high. It takes up to five years to reach full utilization.
- **Leverage the existing brand rights to products:** The brand rights to MoMo Mui come with a silver lining, a fully developed product line. Although the packaging and some formulations will change over time, the product is already very successful as is. The focus will be on marketing it and determining how large the business will grow on product sales alone.
- **Near term product growth is critical to success:** There is a clear need to create value early for investors and for those involved in building the business. The plan should focus on some near-term goals around product growth and long-term goals around salon build-out.

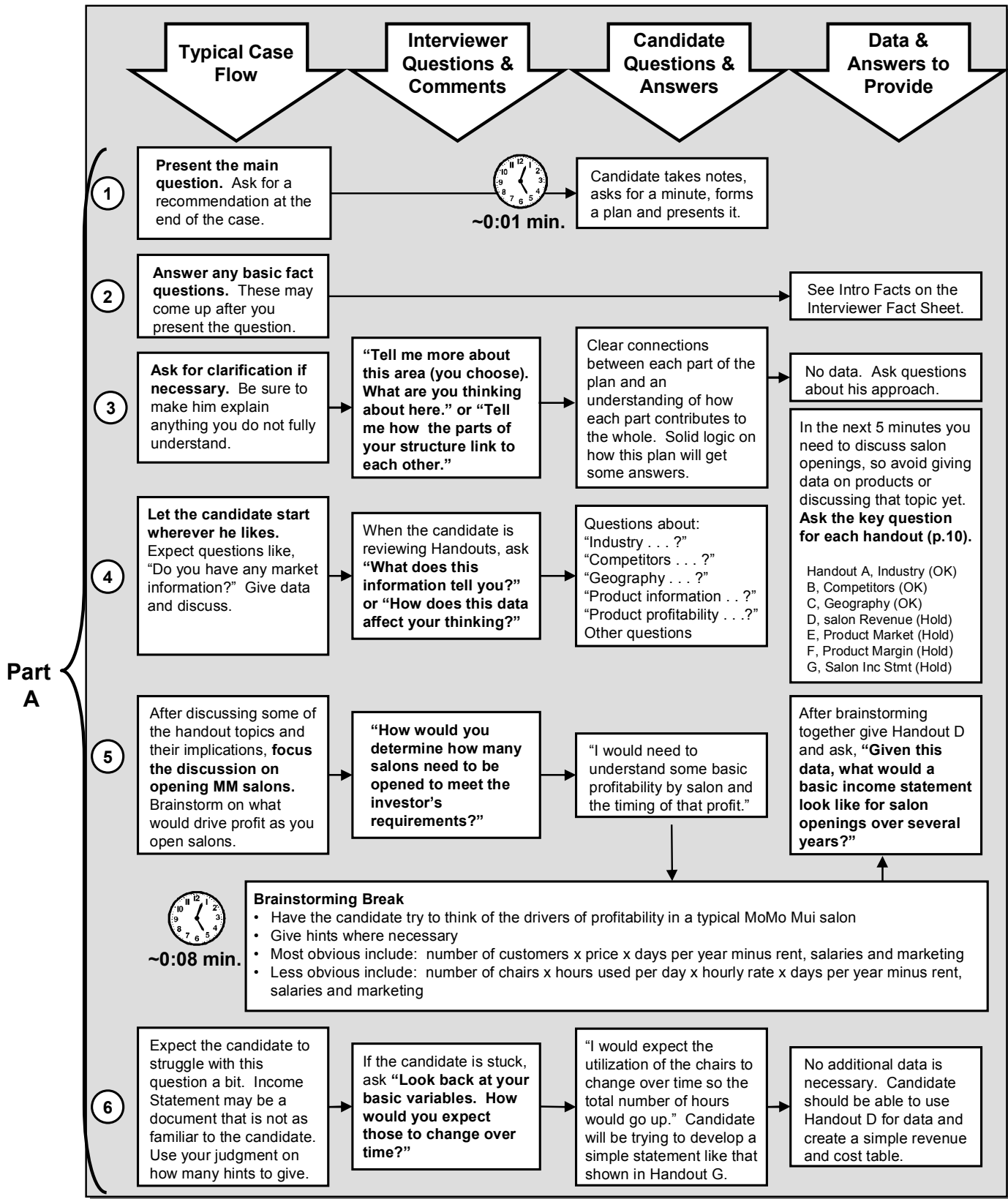
On-Track Indicators

- ✓ **Clear logic** – parses the data into distinct groups and knows what s/he is looking for with each piece of analysis
- ✓ **Common sense** – shows a strong understanding of the challenges of a start-up and the need to focus on drivers of value through clear prioritization
- ✓ **Speed** – quickly creates a plan to plow through the data and develops a P&L to evaluate the salon potential

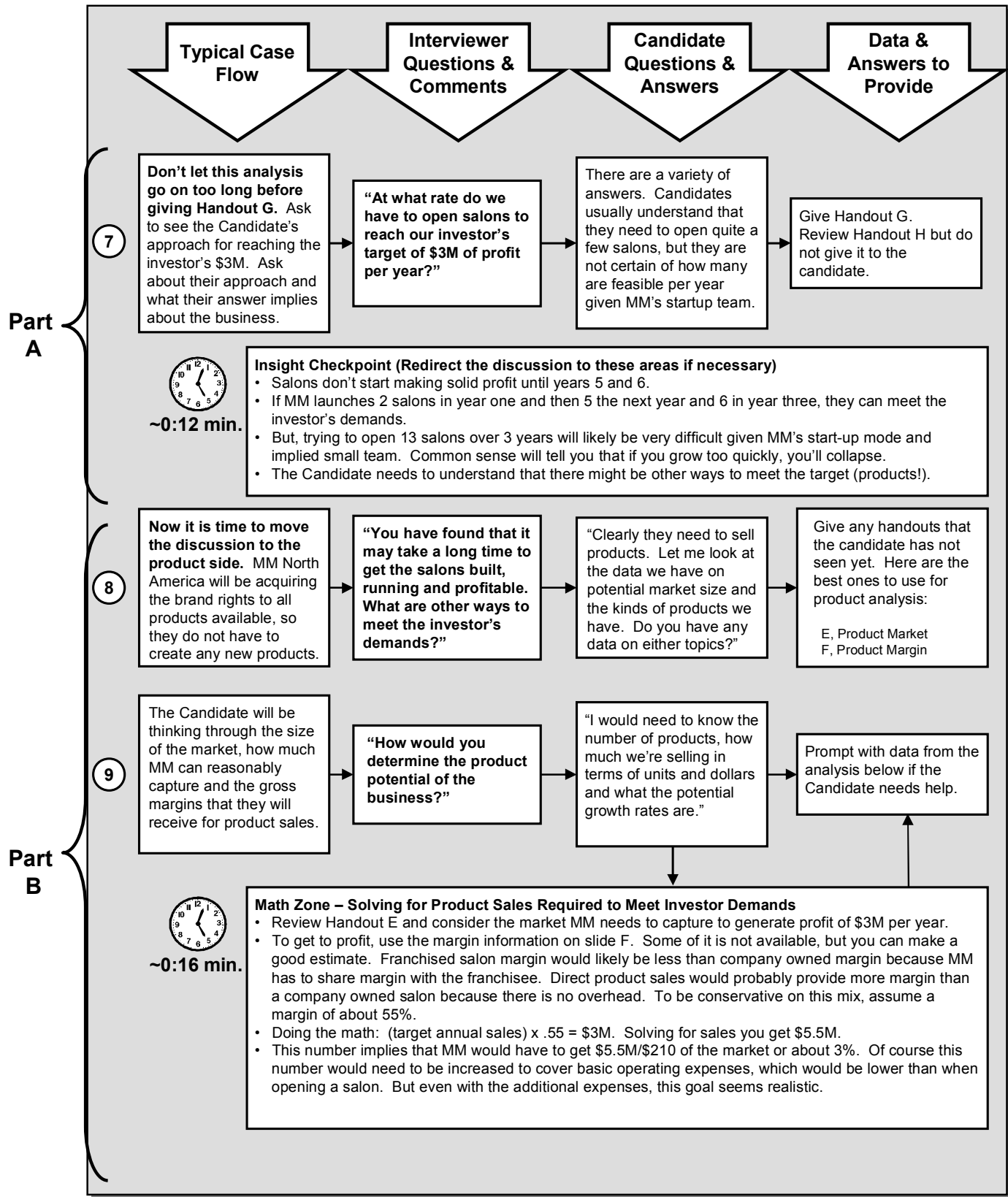
Off-Track Indicators

- ✗ **Creative without content** – spends too much time pondering the need for this kind of product without doing the math
- ✗ **Slow with numbers** – does not recognize the need to round up and make simple assumptions
- ✗ **Has "blinders" on** – fails to question the deal as it is suggested; does not explore the product-only path or some form of a hybrid approach

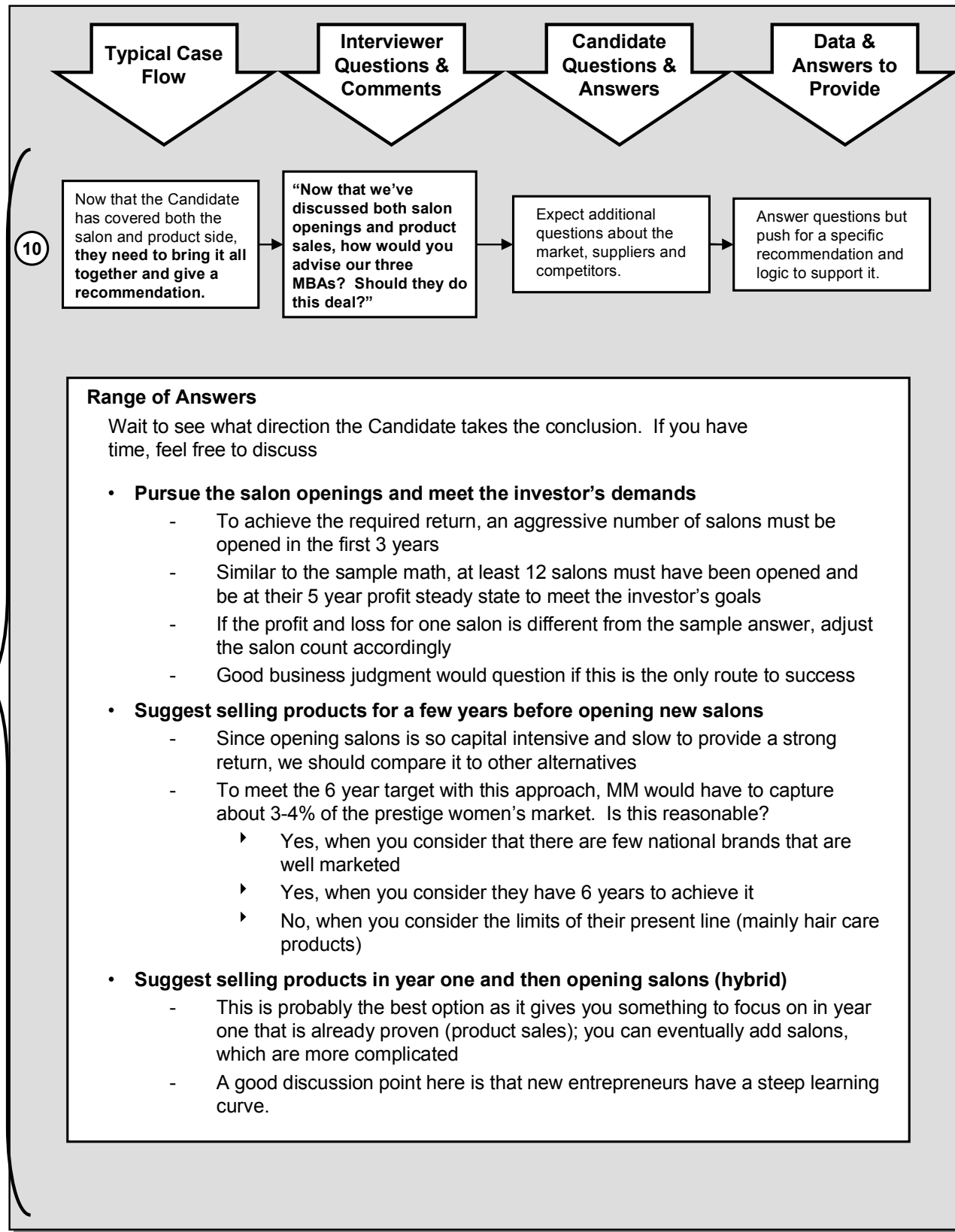
Case at a Glance



Case at a Glance

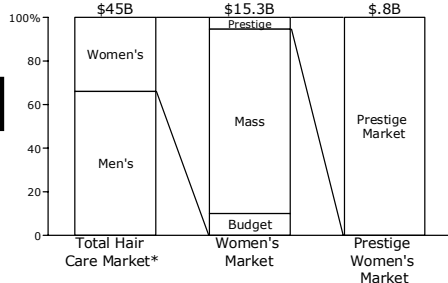


Case at a Glance

Part
C

Handout Guide

Women's Prestige Hair Care Market
Share of US Market



A

Candidate:**Interviewer:****Interviewer:****Good Approach:**

Do you have data on the industry?

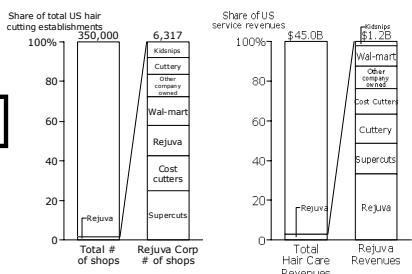
Here's some market information for the last year.

How would you go about sizing their market?

Since we are going after a very specific market I would first want to define it (who's in "prestige"). Then I would want to know how big that market is in the US.

Candidate got the insight?: ☐ Yes ☐ No

Salons and Hair Care Revenues



B

Candidate:**Interviewer:****Interviewer:****Key Insight:**

What do you know about competitors?

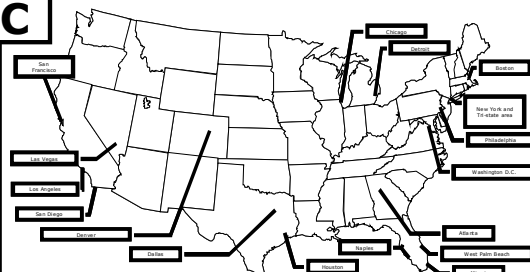
Here's some information on the number of competitors in this industry.

What does this information tell you?

No one competitor dominates this market. It is very fragmented. We see some evidence of a chain doing well, but there won't be any strong competitors to edge us out.

Candidate got the insight?: ☐ Yes ☐ No

Potential Salon Location Map



C

Candidate:**Interviewer:****You Might Ask:****Main Insight:**

Does the company know where it wants to locate salons?

Here's a preliminary location map that the team put together.

How do you think they came to highlight these areas?

Per capita income threshold (team used \$125k), concentration of competitor salons (not an issue)

Candidate got the insight?: ☐ Yes ☐ No

Single Salon Assumptions

Assumptions	Value	Rationale
• Number of chairs	1-4 (max)	• Existing Tokyo salons have 4 chairs. Each salon starts with 1 their first year and adds 1 each year.
• Square feet/salon	1,500	• Based on other salons. Will be able to handle up to 4 chairs.
• Steady state chair utilization (end of year 5)	70%	• Based on Rejuva data. Implies that a stylist is cutting hair 7 hours in a 10 hour day. Salons in year 1 average 3hrs out of 10, adding 1 per year.
• Operating days/week	6	• Average 6 days per week, 300 per year.
• Product sales as % of revenues	25%	• Based on Rejuva corporation's 20-30% average. This stays constant for every year a salon is open.
• Monthly leasing cost/ SF	\$3-9	• Based on high-end estimates of prestige mall space
• Steady state revenue per hour (end of year 5)	\$90	• Based on current Tokyo salon haircut price of \$45 (1/2 hour per cut)
• Startup costs	\$200 - 300K	• Detail not available
• Monthly operational costs	Not Available	• Salaries, utilities, insurance, laundry services, legal, accounting, banking fees, marketing, miscellaneous

D

Candidate:**Interviewer:****Main Insight:**

Do you have any salon revenue data?

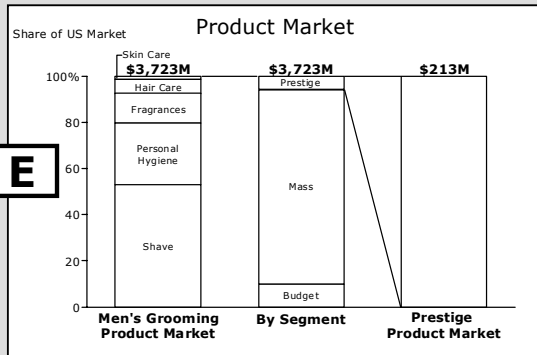
Here are some average stats on a typical salon.

Go ahead and calculate how much revenue a salon would make in five years. Can you estimate costs?

No main insight. The candidate needs these numbers to do the math.

Candidate got the insight?: ☐ Yes ☐ No

Handout Guide



Candidate:

Do you have data on the products or the market for products?

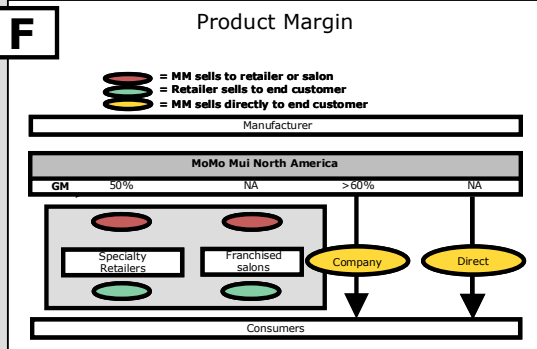
Interviewer:

Here's some information about the women's prestige product market.

What portion of the prestige market do you think MM can capture?

Good Approach:

10% seems large, considering that the category includes products MM may not carry. 5% would imply \$10M annually for revenue. MM's bottom line take will vary by channel.

Candidate got the insight?: ☐ Yes ☐ No

Candidate:

Do you have any product margin data? Here are some margin estimates by retail channel.

Interviewer:

What portion of MM's product sales do you think will come through each channel? What would that imply for total profit?

Good Approach:

Margins are highest in direct sales, the area that MM will least emphasize. Margins vary little by channel.

Candidate got the insight?: ☐ Yes ☐ No

G

Estimated Salon Income Statement

REVENUE	Year 1	2	3	4	5
Chairs	1	2	3	4	4
Hourly	70	90	90	90	90
Hours Per Day	3	4	5	6	7
Days per Year	300	300	300	300	300
Cutting Total	\$60k	200k	400k	650k	750k
Products @ 25%	\$15k	\$4k	100k	160k	200k
Total Revenue	\$75k	\$204k	\$500k	\$810k	\$950k
COSTS					
Start-up	250k				
Lease Rate	6	6	6	6	6
Square Footage	1500	1500	1500	1500	1500
Monthly Lease	\$k	\$k	\$k	\$k	\$k
Annual Lease	100k	100k	100k	100k	100k
Stylist Salary (your guess)	50k	50k	50k	50k	50k
Total Direct Costs (w/ Stylist salaries)	50k	100k	150k	200k	200k
Total Indirect Cost (@40% of revenues)	30k	100k	200k	300k	400k
Total Costs	430k	300k	450k	600k	700k
Total Profit	-355k	50k	50k	200k	250k

Candidate:

How much profit does a typical salon generate in a year?"

You Might Ask:

At what rate do we have to open salons to reach our investor's target of \$3M of profit per year?

Main Insight:

Need to open at least 13 salons over 3 years in order to meet the investor's target with salon-only strategy.

Candidate got the insight?: ☐ Yes ☐ No

H

Salon Roll-out Potential Answer – Do Not Give to Candidate

Take the results of this single salon income statement and determine how many salons you would have to open to meet our investor's demands of \$3M in year 6. From Handout G you know that the salons start making solid profit in years 4 and 5. The following combination of openings would meet our investor's demands and not overload the team in the first year.

Year	Approach	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6
1	Open 2 Shops				0.4	0.5	0.5
2	Open 5					1	1.25
3	Open 6						1.2
	Total				\$4M	\$1.5M	\$2.95M

Main Insight:

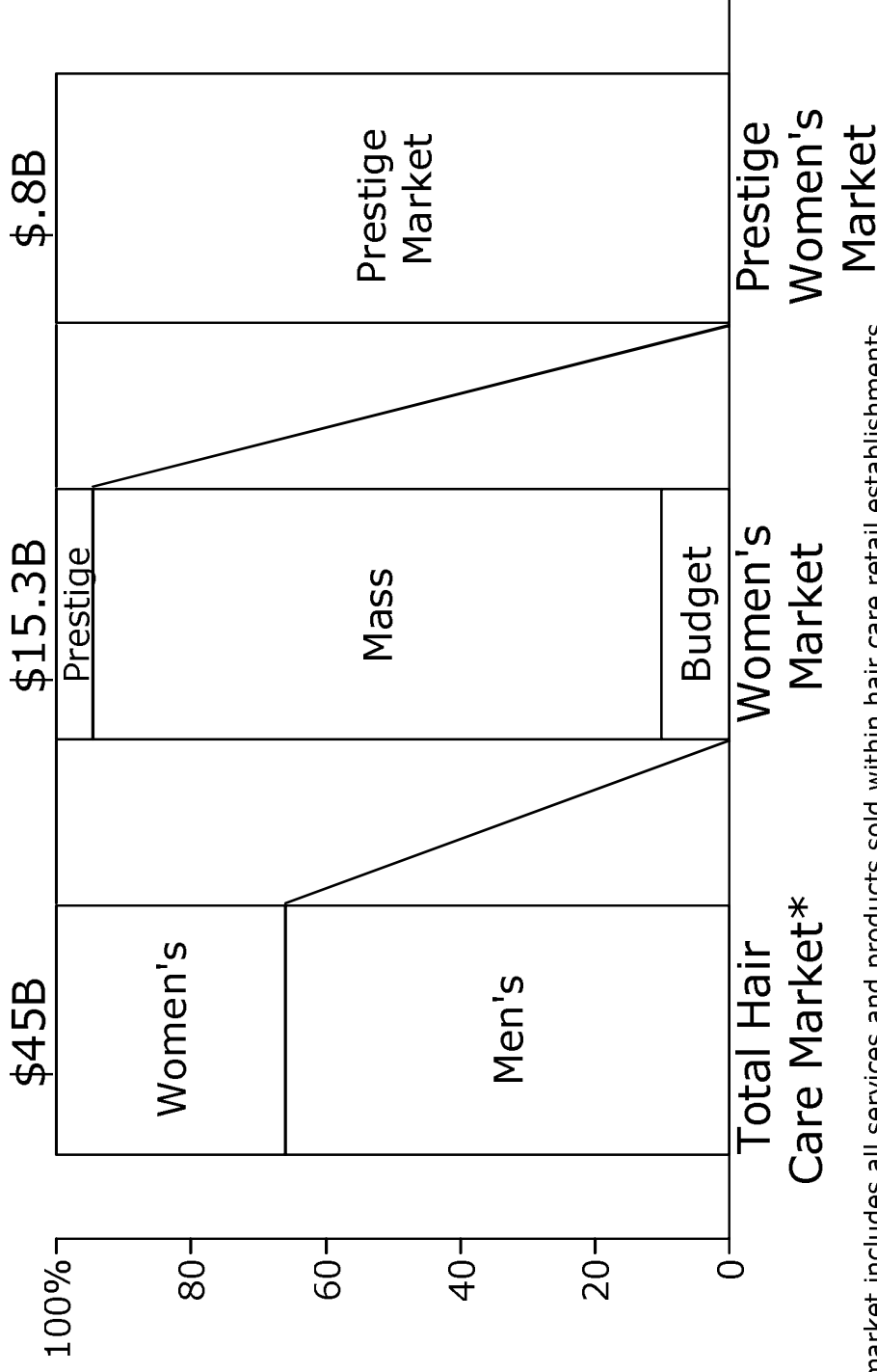
This table shows one approach to rolling out salons. You can see that to reach the \$3M goal, several salons must be opened in years 2 and 3. Opening too many in year 1 may stress the small organization too heavily.

HANDOUT A

Women's Prestige Hair Care Market

Revenue

Share of US Market



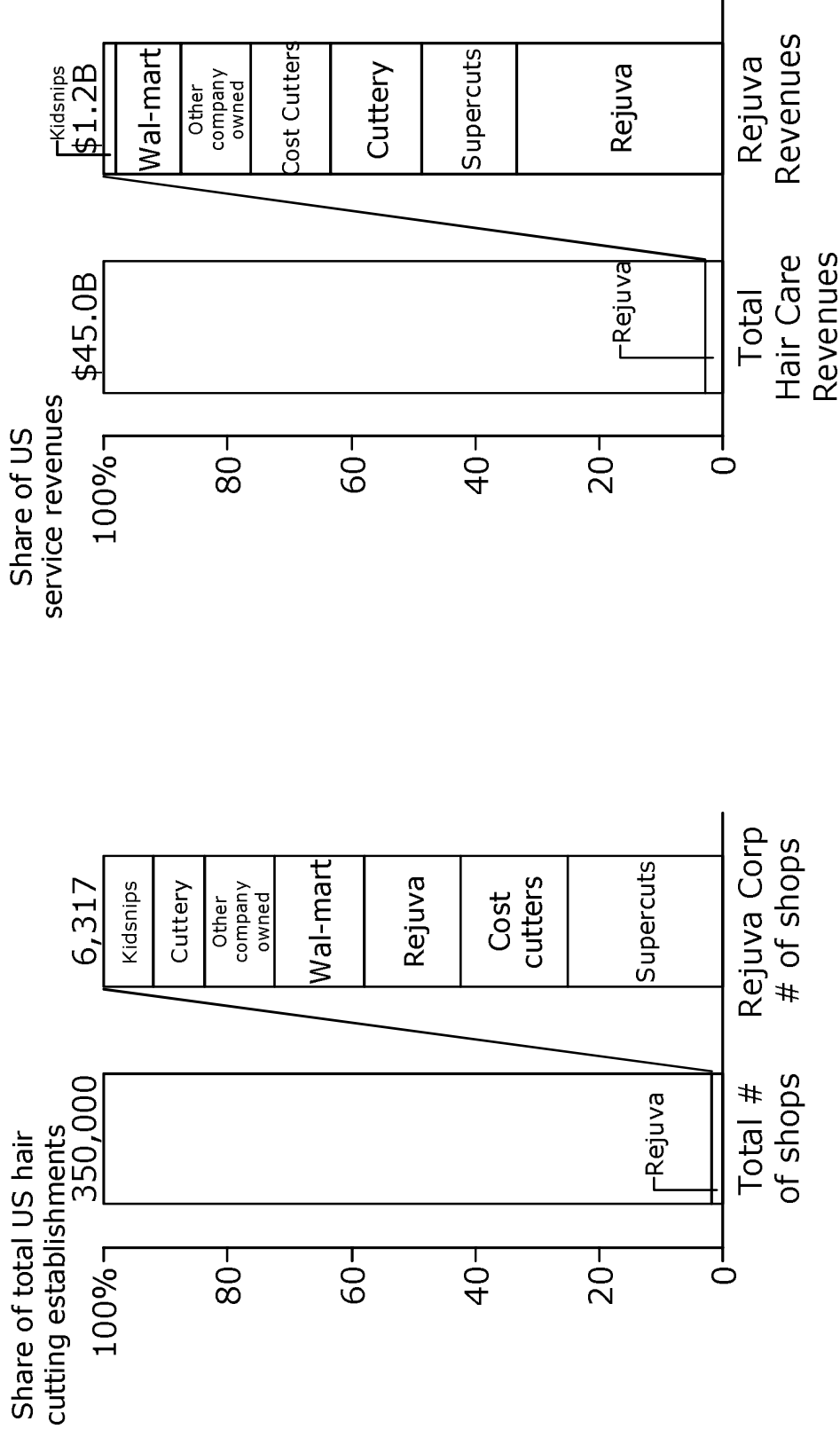
* Hair care market includes all services and products sold within hair care retail establishments

MoMo Mui (Case Pack 010)

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HANDOUT B

Salons and Hair Care Revenues

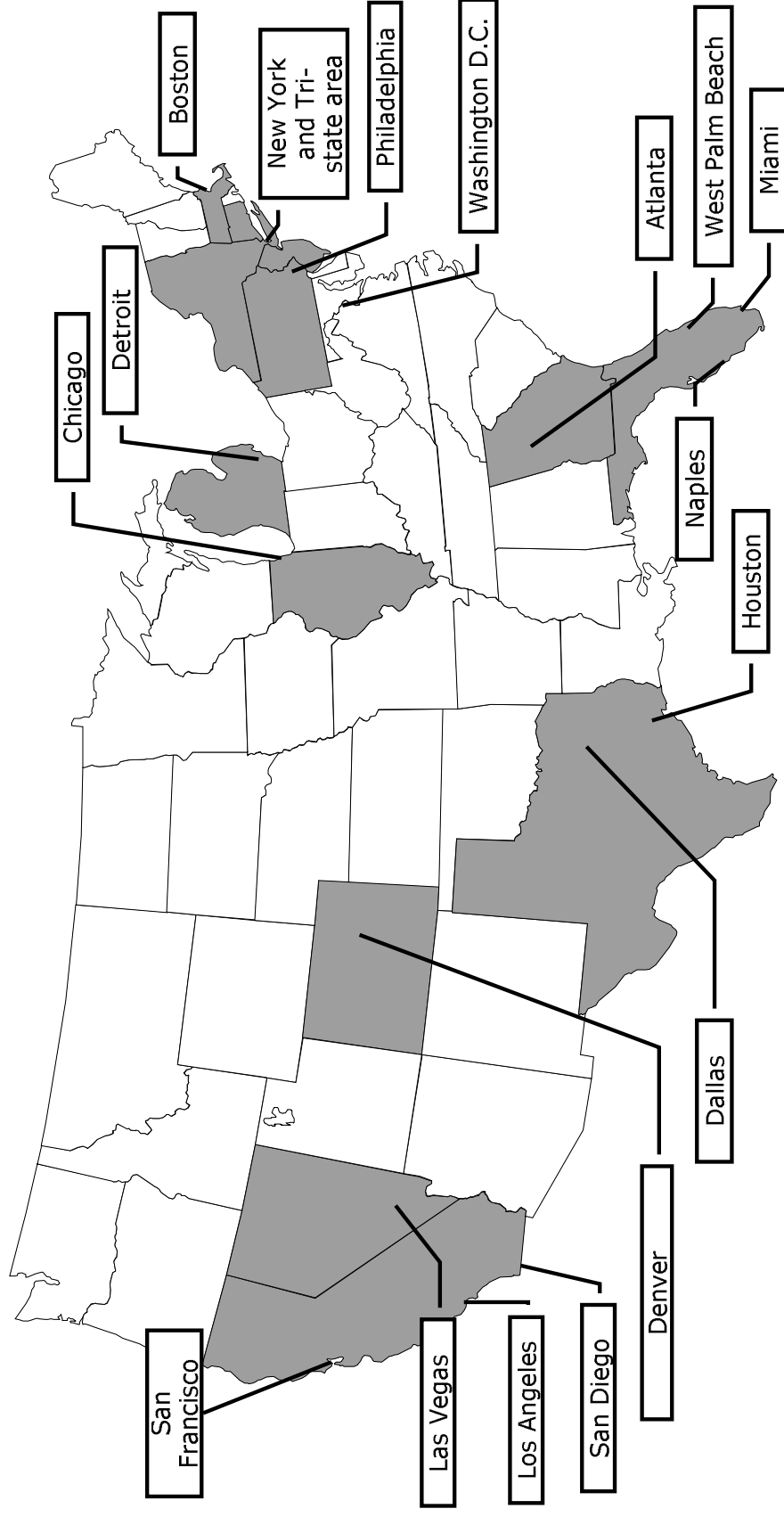


Note: The number of establishments includes home salons as well as retail establishments.
Source: Rejuva Corporation 2003 annual report; Rejuva Corporation analyst report, December 31, 2003

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HANDOUT C

Potential Salon Location Map



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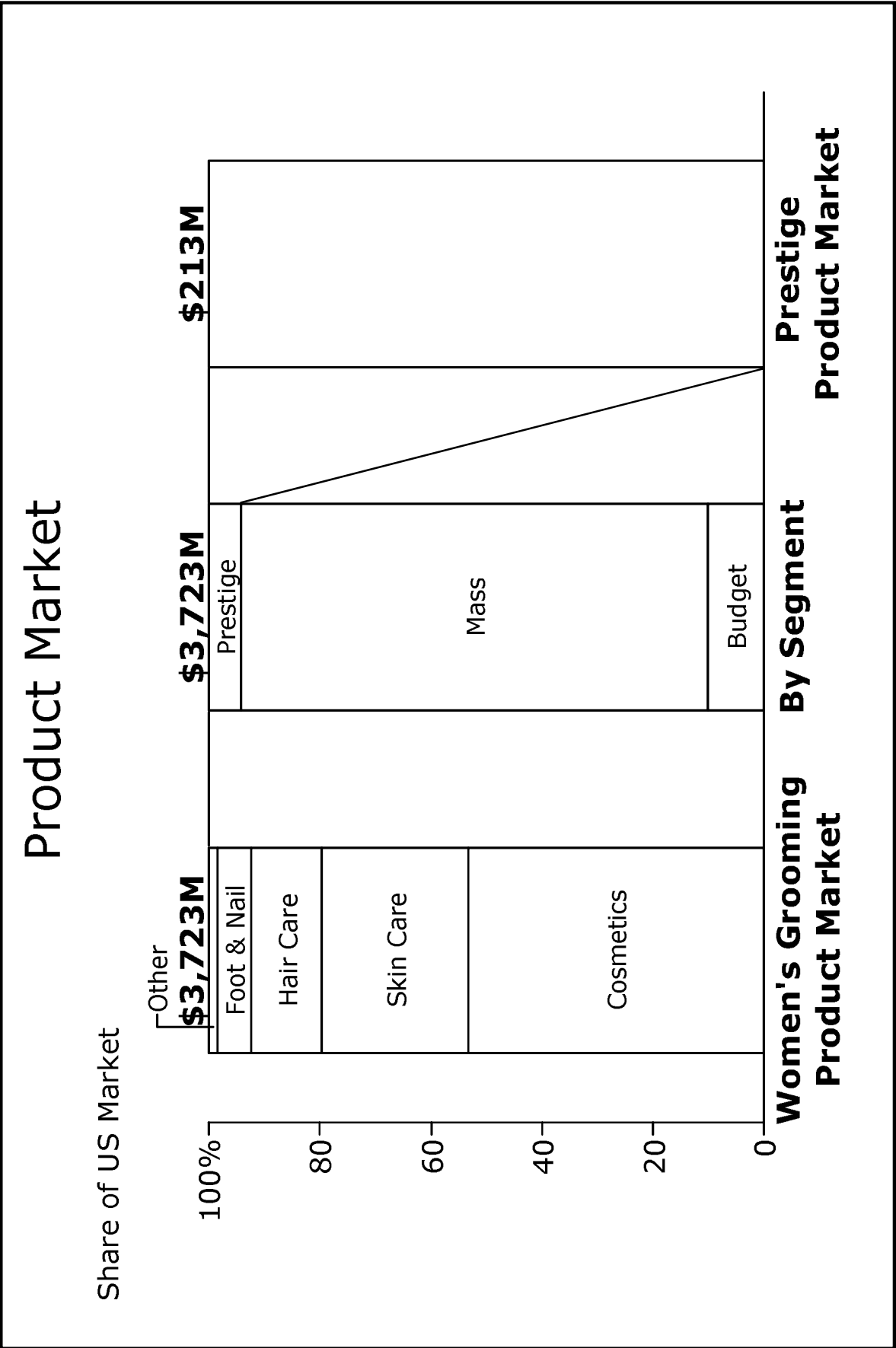
HANDOUT D

Single Salon Assumptions

Assumptions	Value	Rationale
• Number of chairs	1-4 (max)	• Existing Tokyo salons have 4 chairs. Each salon starts with 1 their first year and adds 1 each year.
• Square feet/salon	1,500	• Based on other salons. Will be able to handle up to 4 chairs.
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• Steady state revenue per hour (end of year 5)	\$90	• Based on current Tokyo salon haircut price of \$45 (1/2 hour per cut)
• Startup costs	\$200 - 300K	• Detail not available
• Monthly operational costs	Not Available Retail Rule of thumb: 30-50% Total Revenue	• Salaries, utilities, insurance, laundry services, legal, accounting, banking fees, marketing, miscellaneous

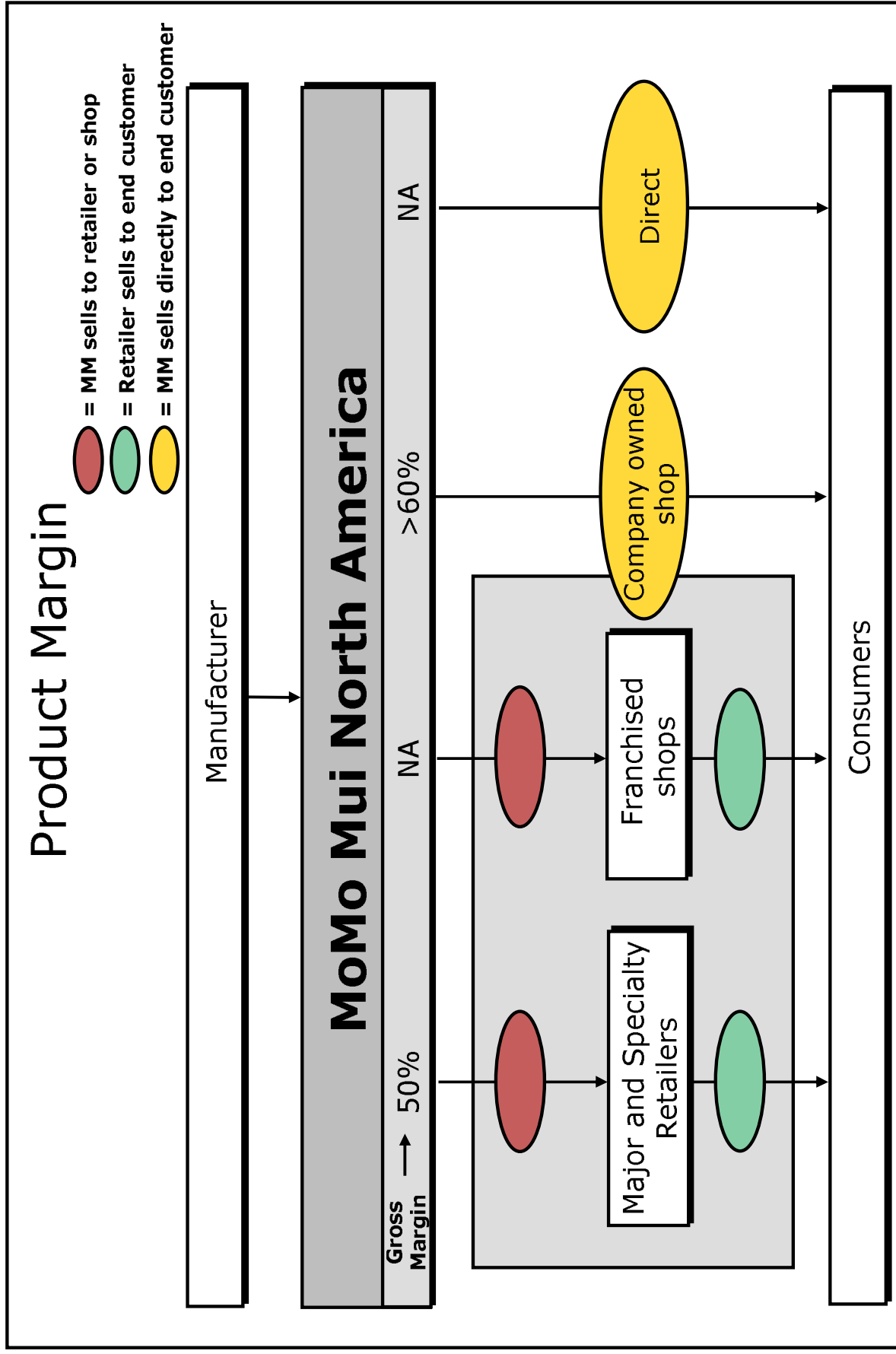
MoMo Mui (Case Pack 010)

HANDOUT E



MoMo Mui (Case Pack 010)

HANDOUT F



MoMo Mui (Case Pack 010)

HANDOUT G

Salon Income Statement

REVENUE	Year 1	2	3	4	5
Chairs	1	2	3	4	4
Hourly	70	90	90	90	90
Hors Per Day	3	4	5	6	7
Days per Year	300	300	300	300	300
Cutting Total	\$60k	200k	400k	650k	750k
Products @ 25%	\$15k	54k	100k	160k	200k
Total Revenue	\$75k	\$250k	\$500k	\$800k	\$950k
COSTS					
Start-up	250k				
Lease Rate	6	6	6	6	6
Square Footage	1500	1500	1500	1500	1500
Monthly Lease	9k	9k	9k	9k	9k
Annual Lease	100k	100k	100k	100k	100k
Stylist Salary	50k	50k	50k	50k	50k
(your guess)					
Total Direct Costs	50k	100k	150k	200k	200k
(ba)Stylisti salaries					
Total Indirect Cost	30k	100k	200k	300k	400k
(@40% of revnues)					
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HANDOUT H

Salon Roll-out Potential Answer Do Not Give to Candidate

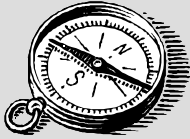
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MoMo Mui (Case Pack 010)

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Re-routers and Heavy Lifting



Re-routers

Questions To Keep Things On Track

- ❖ What are some of the advantages of focusing on opening salons the first year?
- ❖ What are the advantages of making product sales the top priority the first year rather than opening salons?
- ❖ How would you trade-off opening salons vs. selling product?
 - Try to balance ease of approach vs. return
 - Products are already in place but reach may be limited without the salons
 - Salons have unlimited potential given the wide open market but are complex and expensive




Heavy Lifting

Questions To Make the Case More Difficult

- ❖ Let's talk about brand extensions. How would you expand MM beyond women's haircare?
 - Start with adjacent products, e.g. skincare and cosmetics
 - Move to next level adjacencies, e.g. products related to the traditional MM image like make-up bags, handbags, and sportswear
- ❖ If the lead investor had demanded a return of \$2M in two years, would you have changed your answer?
 - This response depends on the candidate's answer. It could include opening more salons in the first year (probably a bad idea) or setting more aggressive product targets for the first two years.

Interviewer Feedback

Planning & Logic

Excellent  Poor

1. I understood your plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. Your plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. You trusted your plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					You basically forgot about it

Communication & Composure

4. You were calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. You carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I'd avoid you at cocktail parties
6. You drove the case.	1	2	3	4	5	6
	Clearly in control, you took the case to a conclusion			You took control sometimes, but then let me drive		Adrift at sea

Analytics

7. You analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, you didn't get the insights
8. You integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			You missed some connections		You missed all the linkages between the data

Recommendation

9. Your final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up your thoughts					You seemed to solve the case from your gut
10. You were persuasive in making your final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					You couldn't even convince yourself, zero passion

Total Score:
(10-60)

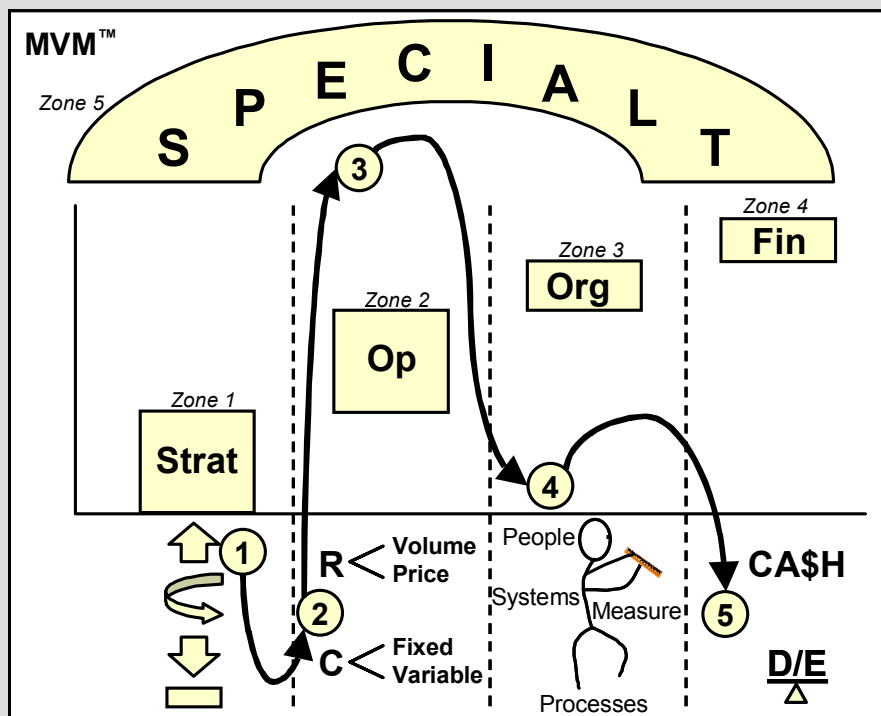
Before giving your score, have the candidate do the Self Assessment at the back of the case pack. What can you tell the candidate that will help him or her prioritize his prep going forward?

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

F - Form a Plan

- As with any business purchase, the candidate should explore both internal operations and external factors. Since the investor has requested a certain annual return by year 6, it is best to focus first on the operations and whether or not it is feasible to reach that target.
- Other macro issues about the industry and public perception can be explored at the end if there is time.



MVM Roadmap™: Here's a path that will hit the key issues, in order of importance.

- Start in Zone 1, Strategy Acquisition (up arrow).** Acquiring a brand is the same as expanding an on-going business. This starting point is a good placeholder to return to after we look at other areas.
- Move to Zone 2, Operations.** What are revenues and costs of the existing salons and product line? How reflective are these of future sales if better marketed? How much does it cost to set-up additional sites? What is the roll-out plan, with revenue/ cost projections? Where would you open sites and where would you sell product?
- Move to Zone 5, External Factors.** Almost each factor comes into play in this case. **Suppliers** - Who will make the product? **Public** - What is the perception of high-end women's hair salons? **Economy** - Any macro factors that could slow the growth of the brand? **Competitors** - How many are there and what are their key strengths? **Industry** - What is the overall growth potential of this industry and this segment? **Legislation** - Are there any legal roadblocks to buying a Japanese brand?
- Move to Zone 3, Organization.** What kind of team will we need to support this project long-term?
- End in Zone 4, Debt/Equity Financing and Cash Flow (if time permits).** How can this purchase be financed? What kind of cash flow will it produce?

Candidate Review Sheets

F - Form a Plan (cont.)**Suggested Answers, Diagrams and Behaviors****Good**

"There are several areas we'll need to explore. From an internal perspective, we should review operations first, since we must determine how we'll generate revenue and estimate the costs associated with salons and products. Also, we should consider the start-up team and its ability to make this work. From an external perspective, we need to explore the industry potential, public perception, and competitors. Finally, we should consider financing, in terms of how much money we can raise and from whom. Before I begin, is there a particular area you would like me to focus on first?"

(This is a good plan of attack. I like how you broke down the two categories, internal and external. You seem to understand the challenges of a start-up.)

OK

"Start-ups involve many issues. I want to be sure I don't miss any. I would like to discuss how we can generate enough profit to meet our investor's target, as well as how we'll structure our financing. The strength of the team will also be critical. If we have time, I'd like to talk about branding opportunities. Is there anything I missed that we should look at?"

(In general, you understand that there are many areas to cover, but your thoughts are jumbled. I'm bracing myself for a barrage of questions as you try to get your mind around the problem. I'm not writing you off yet; you may simply need some more time to form a plan. By the way, don't ask the interviewer if you "missed anything" when you are structuring your problem.)

Weak

"It seems like you want me to first focus on salon sales and the potential there. Do you have any information on how much revenue a typical salon makes?"

(Well, the good news is you are focused. Unfortunately you have given us no path to explore and I'm going to tire quickly of wandering around with you. If there's more going on in your head about where you want to take this discussion, please let me know soon. The way you started the case also makes it tough to use your plan as a springboard for our discussion.)

Self Check

Notes:

☐

MECE (Mutually Exclusive, Collectively Exhaustive)

☐

Bottom line tone

☐

Fluent, not stammering

☐

Hits upon key issues

☐

Open to redirection

☐

Natural, not memorized

☐

Clarifies if necessary

☐

Clearly driving the case

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

R - Read the Audience

Interviewer: Play the Chatty Cathy role (from Chapter 4) and give direction when necessary. Provide data when asked, but do not overwhelm the candidate with additional facts or “free” information. You’ll help him/her the most if you use the Re-routers (p. 16) to keep the discussion on track.



Good Reactions/ Body Language:

- Firm, dry handshake, leaning slightly forward
- High energy
- Consistent eye contact during the introduction
- Warm smile, worn most of the time
- Relaxed manner in small talk and getting situated
- “Ready to talk” body language, sitting on the front half of the chair, eager to discuss the case

Average Reactions/ Body Language:

- Half-hearted handshake
- Average energy
- Frequently breaks eye contact (indicates nervousness or insecurity)
- Forced smile
- A little tense and awkward in getting set up
- Moving around a lot in the chair, leaning or sitting back too far, indicating disinterest or laziness

Poor Reactions/ Body Language:

- Soft, weak or moist handshake
- Low energy
- Little to no eye contact
- No smile
- Awkward conversation; palpable tension
- Sitting completely in the back of the chair; slumping over the desk; putting arms on knees in the football coach position

Self Check



Notes:

☐

Firm, dry handshake

☐

Consistent eye contact

☐

High energy but calm

☐

Attentive listener

☐

Friendly, warm smile

☐

Engaging

☐

Good sense of humor

☐

Fluent with small talk

☐

Strong confident voice

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

Suggested Answers, Diagrams and Behaviors

A – Anchor a Hypothesis

What did you really think? What was your hunch? As you put together your plan and thought about trying to prove your hunch, you should have considered the following:

- **Discreet pieces of analysis** that make it easy to focus the thinking and data drilling.
- **Common sense appraisal** of what is realistic in a start-up in the first two years.
- **Bottom line orientation** about what kind of return will be necessary to make this investment worthwhile.



Potential Hypotheses

You may have had some initial thoughts about what the team should do. Did you intuitively think that opening salons would be better? How about leveraging the brand and selling a significant amount of product? Here are some thoughts you may have explored as you moved through the elements of your plan and tried to figure out if buying the business made sense:

Open Several Shops First

"Without salons to push the value of the products it will be difficult for the company to build market share. They need to put their energy in making a name for themselves through salon openings."

Focus on Selling Products

"What a gold mine – a well established brand just waiting to be picked up, dusted off and marketed throughout North America. The team would be wise to focus on getting the product engine going, bring in some cash and then go after opening salons."

Do Them Both

"MoMo Mui needs the power of both the salons and the products to make this venture work. At a minimum they should shoot to open one salon and of course blitz the market with their products. They may be able to build brand recognition and hype by having a salon that is in the news."

Self Check



Notes:

☐

Mental anchor in place

☐

Logical supports

☐

MECE

☐

Actionable approach

☐

Prioritized approach

☐

Defends thoughts

☐

Keeps driving

☐

Practical

☐

Sees the big picture

Candidate Review Sheets

A Logical Flow Using the FRAME Method™

M – Mine for the Answer

Salons and products are the obvious categories to look for value, but you could have grouped your questions several ways. With a case this complex you need to be selective when asking questions. For more practice, find questions that could have helped you support your plan or drive to your hypothesis. Consider the following:

Mining Zones

Salon Openings

- What is the demand for high-end haircuts and services?
 - Demand is high enough to pursue (see charts).
- What competitor salons exist today?
 - Several competitors have salons but the industry is very fragmented with no dominant player.
- Which regions of the country are best?
 - Large metropolitan regions are best.
- How much does it cost to open a salon?
 - Start-up costs range from \$200k-\$300k.
- When does it break even?
 - Most salons start earning a profit in year 1. They usually break even for certain by year 3.
- What is the maximum value a salon could attain?
 - Salons top out between one and two million in revenue. Profit varies.

Product Sales

- What is the state of the product line?
 - Presently, the product line is strong with several different product types and scents; products have loyal customers.
- Which products are the most popular?
 - Shampoos & styling products.
- What kind of customers buy products?
 - Customers tend to be older and affluent, but many younger customers are attracted to the products.
- What volume of product does MM sell today?
 - Current product sales information is not available.
- To what degree can products be expanded in North America?
 - North America locations will be "prestige" locations only. New product types must be developed with the Japanese owners.

Branding Upside

- How is the brand being used in addition to grooming products?
 - It is almost exclusively being used for products. The logo has been used on promotional merchandise like combs and brushes.
- What similar brand extensions do we see from competitors or others?
 - None from direct competitors.
- What other haircare brands have been extended into cosmetic categories?
 - Most women's haircare brands tend to stay focused on haircare. Lifestyle brands like Ralph Lauren have been successful but their foundation is clothing.
- How would you estimate brand extension upside?
 - You can estimate brand extension opportunities from the top down, through benchmark estimates with other expanding brands, or bottom-up, through product roll-out estimates.

Candidate Review Sheets

M – Mine for the Answer

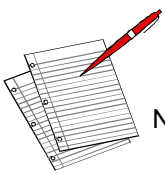
What did you learn?

- Salons don't start to make significant profit until years four and five.
- Utilization is a big driver of overall revenue and product sales. (Another option in doing the salon analysis would be to increase the utilization in one chair before adding another.)
- Indirect costs are the mid-point of the range given. This bucket is general and is worth exploring on how to cut costs if there is time.
- **In general opening salons is a difficult path for generating our investor's desired return. Assuming we would like to use the same investor, explore the product path.**
- Margins tend to be high for all product channels. Company owned salons and direct selling have the largest margins.
- Looking through the various margins, 55% is a conservative balance between retail sales and company owned / direct sales.
- To meet the investor demands through product sales, MM would have to capture 3% of the prestige market.

How does it tie together?

- When making recommendations, you should keep in mind the limitations of a small team in a start up mode. The owners' time will be split across many activities, therefore the goals for product roll-out and/or salon build-out cannot be too aggressive.
- A hybrid approach to reaching their financial goal spreads the risk and increases the likelihood of meeting the \$3M per year (in year 6) target.
- Salon build-outs are likely to be very complicated and time consuming. If you must choose between the two in the first year, building the product base seems like the best option.

Self Check



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Updates hypothesis

Candidate Review Sheets

M – Mine for the Answer

Range of Answers

- **Pursue the salon openings and meet the investor's demands**
 - To achieve the required return, an aggressive number of salons must be opened in the first 3 years
 - Similar to the sample math, at least 12 salons must have been opened and be at their 5 year profit steady state to meet the investor's goals
 - If the profit and loss for one salon is different from the sample answer, adjust the salon count accordingly
 - Good business judgment would question if this is the only route to success
- **Suggest selling products for a few years before opening new salons**
 - Since opening salons is so capital intensive and slow to provide a strong return, we should compare it to other alternatives
 - To meet the 6 year target with product sales, MM would have to capture about 3-4% of the prestige women's market. Is this reasonable?
 - ▶ Yes, when you consider that there are few national brands that are well marketed
 - ▶ Yes, when you consider they have 6 years to achieve it
 - ▶ No, when you consider the limits of their present line (mainly haircare products)
- **Suggest selling products in year one and then opening salons (hybrid)**
 - This is probably the best option as it gives you something to focus on in year one that is already proven (product sales); you can eventually add salons, which are more complicated
 - A good discussion point here is that new entrepreneurs have a steep learning curve

Self Check



Notes:

☐

Data oriented

☐

Facile with numbers

☐

Focused, not flustered

☐

Quick to interpret

☐

Questions are specific

☐

Nimble thinker

☐

Collaborative style

☐

Explains gut check

☐

Updates hypothesis

Interviewer Notes and Answers

A Logical Flow Using the FRAME Method™

E – End the Case

Did you have a solid conclusion? Try to pull your thoughts together with about five minutes to spare so you and your interviewer can discuss your ideas. Interviewers are often bored with giving the same case over and over again. Having something to discuss with the candidate would be a welcome change.

Some questions to consider:

- How did you wrap this up?
- So what was your conclusion? Should they buy the rights to MoMo Mui?
- What did you want to say to your lead investor? What was your approach?

Suggested Answers, Diagrams and Behaviors



Good Ending: “We have two options for meeting the investor’s request. One, by opening 12 salons in the first 3 years we can meet the return. Or two, by focusing on product sales and capturing 3-4% of the product market we can hit our target. I’d recommend a hybrid of the two. We should focus on products in the first year exclusively, and then work our way toward the more complex salon openings. As we progress in this manner, we will be interacting with customers in two ways. This will give us more insight on how to leverage the brand into other categories. As a follow up I would look into the specifics around selecting salon locations and tighten up our salon and product cost estimates.”

(Excellent way to tie it all together. You started off tight with “two ways” language and then wove in the branded issue to show your breadth of thinking. Perfect next steps.)

OK Ending: “It’s fairly clear that opening salons has significant potential in the 5-10 year range but will be complex to manage in the short term with a small team and capital requirements. I recommend that we focus on building the product line and aggressively try to capture 3-4% of the market, which would give us the \$3M return required. If the lead investor would still like to pursue opening salons, then we need to open 12 salons within the first 3 years. We should start with only 1 or 2 in the first year to better understand the process.”

(Solid close. You hit all of the main points and used data. To be more complete, you could have touched on brand extension and next steps.)

Poor Ending: “Basically this deal is hinging on opening salons and I’m not sure we can do it. Selling products on their own might work but I think we need the salons to support them. Additionally branding potential is unclear at this point. I’d walk away.”

(You’re putting a stake in the ground but there’s no data to support it. Your thinking lacks creativity and you failed to offer an innovative solution. Ding!)

Self Check

☐
☐

Several clear points
Persuasive

☐
☐

Well integrated
Includes next steps

☐
☐

Concise
Credible



Notes:

Candidate Self Assessment

Planning & Logic

	Excellent → Poor					
1. I had a plan to solve this case.	1	2	3	4	5	6
	Very clear			Fuzzy		Not clear at all
2. My plan was MECE. (Mutually exclusive, collectively exhaustive)	1	2	3	4	5	6
	No overlaps and gaps					Several overlaps and full of gaps
3. I trusted my plan and referred to it often.	1	2	3	4	5	6
	Used it, referred to it often					I basically forgot about it

Communication & Composure

4. I was calm and collected.	1	2	3	4	5	6
	Calm, confident and client ready			Off and on nervousness		Sweaty, shaky mess
5. I carried the discussion well.	1	2	3	4	5	6
	Just the right amount of back and forth			Occasionally awkward		I didn't hold the interviewer's attention
6. I drove the case.	1	2	3	4	5	6
	Clearly in control, I took the case to a conclusion			I took control sometimes		Adrift at sea

Analytics

7. I analyzed the data well on a piece by piece basis.	1	2	3	4	5	6
	Quick to insights, no math errors			Slow on the uptake, some math mistakes		Lots of mistakes, I didn't get the insights
8. I integrated data well and reached insights (saw the big picture).	1	2	3	4	5	6
	Quick to "connect the dots" and see how it all ties			I missed some connections		I missed all the linkages between the data

Recommendation

9. My final recommendation was to the point and data driven.	1	2	3	4	5	6
	Used facts and data to back up my thoughts					I tried to solve the case from my gut
10. I was persuasive in making my final points.	1	2	3	4	5	6
	Persuasive points, passion and a bottom-line tone					I couldn't even convince myself, zero passion

Total Score:
(10-60)

Do this self assessment before asking the interviewer for feedback. How did your numeric score compare to the one the interviewer gave you? What is your top priority going forward?



About the author

David joined the Chicago office of Bain & Company as a summer associate in 1997. He returned to Bain after receiving his MBA from the Wharton School in 1998, and was promoted to manager in early 2001. In addition to leading client project teams, David directed his office's new consultant training program, instructed new hires at global training sessions, and held the role of Chicago Knowledge Officer.

Prior to joining Bain, he was a manager in the Andersen Worldwide organization, where he spent five years with their Business Consulting division. He graduated from the University of Pennsylvania in 1991.

During his nine years in the consulting industry, David worked with over thirty clients spanning a dozen industries. Since leaving Bain, he continues to lend his expertise in strategic management to top executives.